

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR: 1) AN ADJUSTMENT OF THE ELECTRIC RATES;)	
2) APPROVAL OF AN ENVIRONMENTAL COMPLIANCE PLAN AND SURCHARGE MECHANISM; 3) APPROVAL OF NEW TARIFFS; 4) APPROVAL OF ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; AND	)	CASE NO.
5) ALL OTHER REQUIRED APPROVALS AND RELIEF	)	2017-00321

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on March 7, 2018 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on March 7, 2018 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on March 7, 2018.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice.

Parties desiring to view the digital video recording of the hearing may do so at

https://psc.ky.gov/av_broadcast/2017-00321/2017-00321_07Mar18_Inter.asx.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 16th day of March 2018.



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Executive Director
Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE)	
ENERGY KENTUCKY, INC. FOR: 1) AN)	
ADJUSTMENT OF THE ELECTRIC RATES; 2)	)	CASE NO.
APPROVAL OF AN ENVIRONMENTAL	)	2017-00321
COMPLIANCE PLAN AND SURCHARGE)	
MECHANISM; 3) APPROVAL OF NEW)	
TARIFFS; 4) APPROVAL OF ACCOUNTING)	
PRACTICES TO ESTABLISH REGULATORY)	
ASSETS AND LIABILITIES; AND 5) ALL OTHER)	
REQUIRED APPROVALS AND RELIEF)	

CERTIFICATE

I, Pamela Hughes, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on March 7, 2018. Hearing Log, Witness List, and Exhibit List are included with the recording on March 7, 2018.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of March 7, 2018.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of March 7, 2018, and the time at which each occurred.

Signed this 12th day of March, 2018.



Pamela Hughes, Notary Public

State at Large

My Commission Expires: April 22, 2019



Judge: Talina Mathews; Michael Schmitt

Witness: Anthony J. Platz; April N. Edwards; Brian Collins; James E. Ziolkowski; Bruce Sailors; Lawler Sarah E; Stephen De May; Don Wathen; Ronald Willhite

Clerk: Pam Hughes

Date:	Type:	Location:	Department:
3/7/2018	General Rates	Hearing Room 1	Hearing Room 1 (HR 1)

Event Time	Log Event
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8:17:31 AM	Session Started
8:17:32 AM	Session Paused
9:00:13 AM	Session Resumed
9:00:15 AM	Case No. 2017-00321 Note: Hughes, Pam
	Continued from March 6, 2018. Chairman stated Case was 2017-00328 in error .
9:00:43 AM	Atty Samford calls Witness De May Note: Hughes, Pam
	Sworn in by the Chairman.
9:01:11 AM	AG introduces AG exhibit 6 into the record that was used Mar. 6, 2018 Note: Hughes, Pam
	Order in 2017-00477
9:01:49 AM	Atty D'Ascenzo direct of Witness De May Note: Hughes, Pam
	Stephen De May, Senior VP Tax and Treasurer/ Adopts his testimony and those of John Sullivan.
9:02:54 AM	Atty Chandler cross of Witness De May Note: Hughes, Pam
	Regarding a cash flow squeeze. Funding capitol projects with this cash.
	Note: Hughes, Pam
	Regarding the negative consequence of the Tax Act.
	Note: Hughes, Pam
	Regarding the Tax Reform Act
9:09:32 AM	Atty Chandler cross of Witness De May Note: Hughes, Pam
	Regarding the rebuttal testimony providing the negative consequence of the Tax Act and if Duke Ky has calculated - 20 year flow back. PHDR
9:10:49 AM	Atty Chandler cross of Witness De May Note: Hughes, Pam
	Regarding Mr. Wathen's calculations of the first 3 months because of the change in capitalization.
9:12:26 AM	Atty Kurtz cross of Witness De May Note: Hughes, Pam
	Regarding the 4 effects of the Tax Act. Regarding Ms. Lawler's Amended rebuttal to revenue requirements. Page 1 of 1. \$209,000.00 loss. Regarding the other adjustments in Ms. lawler's rebuttal testimony.
9:16:17 AM	Witness excused
9:16:47 AM	Atty Honaker call Witness Platz to the stand Note: Hughes, Pam
	Sworn in by the Chairman
9:17:13 AM	Atty Honaker direct of Witness Platz Note: Hughes, Pam
	Anthony Platz, Director, Power Quality, Reliability and Integrity. Adopts his testimony data requests and those of Ed Kurschner. He makes changes to AG DR1 - Should be Dkke Energy KY., not Ohio. and in AG DR2- question 41, page 3, Subset E, it should state 3 years, not 10 years.
9:18:45 AM	Atty Chandler cross of Witness Platz Note: Hughes, Pam
	Regarding what perfect power is.
	Note: Hughes, Pam
	Regarding Expenditures in direct testimony.
	Note: Hughes, Pam
	Regarding the Rider DCI.

9:20:57 AM	Atty Chandler hands out a paper Note: Hughes, Pam Note: Hughes, Pam	AG-DR-02-041 AG_DR-089 attachment. DEK targeted Overhead/Underground Conversion
9:22:44 AM	Atty Chandler cross of Witness Platz Note: Hughes, Pam Note: Hughes, Pam Note: Hughes, Pam Note: Hughes, Pam	AG-DR -1-089 b.1, \$15 million over next 3 years for 1320 customers. Capitol costs. \$66 million over next ten years for undergrounding 1320 customers. Regarding spending \$11 million on customers when they won't receive perfect power. Regarding the number of circuits that are candidates for next 3 to 10 years. Witness states he provided full set for first 3 years and some for 10 years. Regarding the Number of Customers. Page 2 of response -2.c. Estimated 1320 customers undergrounded in next 3 years. He gives the calculations.
9:29:15 AM	AG exhibit 7 Note: Hughes, Pam Note: Hughes, Pam Note: Hughes, Pam	Regarding if Duke looked at other programs that could benefit customers. No economic project has been done. Generac 22,000-Watt (LP)/19,500 Watt (NG) Air Cooled Generator. Regarding if this generator would be sufficient to provide energy to most homes. Regarding the proposal for Rider DCI and target underground that costs \$11,000 for each customers. AG exhibit 7 is the Generac 22,000 Watt generator papers.
9:34:22 AM	Atty Chandler cross of Witness Platz Note: Hughes, Pam Note: Hughes, Pam Note: Hughes, Pam	Regarding if company would do project underground without the Rider DCI. Page 5 of direct testimony. Reads the change in plant from Dec. 31, 2007 to Dec. 31, 2016. 124 million to put plant into service. Regarding when the last rate case Duke had.
9:36:57 AM	AG Hands out paper Note: Hughes, Pam	Corporate Financial data
9:37:37 AM	Atty Chandler cross of Witness Platz Note: Hughes, Pam	Company invested 124 million, must have killed their return on equity.
9:37:46 AM	Objection by Atty D'Ascenzo Note: Hughes, Pam	Sustained
9:37:55 AM	Atty Chandler cross of Witness Platz Note: Hughes, Pam Note: Hughes, Pam Note: Hughes, Pam	Regarding if a CPCN in order to implement target underground is being requested from the Commission. Regarding major issues of Duke to raise capitol since 2007. Atty D'Ascenzo objects, Chairman sustains. Witness is not aware. Schedule K, 2007 to 2016 for forecasted period. Duke's investments since last rate case. Regarding if witness thinks it's necessary to have a Rider DCI. AG says his testimony, page 1 of rebuttal testimony says he supports the DCI and underground program. Return on equity.
9:42:41 AM	Atty Chandler cross of Witness Platz Note: Hughes, Pam Note: Hughes, Pam	If target underground and Rider DCI were approved they would cause customers more money. Regarding if the company gets approval of target underground.
9:43:39 AM	Atty Howard cross of Witness Platz Note: Hughes, Pam	Concerning distribution investment for ageing infrastructure.

	Note: Hughes, Pam	Regarding proposal of Rider DCI, would it not capture any O&M savings if invested in new distribution unfastructure.
	Note: Hughes, Pam	Reduction of O&M expenses in rate case.
9:46:25 AM	Atty Howard cross of Witness Platz	
	Note: Hughes, Pam	Regarding capitol investments funded by a utility. Is depreciation one of the means in which it could be done. Depreciation expense is a non cash expense.
	Note: Hughes, Pam	Regarding the Level of distribution proposed by the company for rates in this application
9:47:44 AM	NKU exhibit 2	
	Note: Hughes, Pam	Duke Energy's functional Electric Cost Of Service James Ziolkowski. In Application
	Note: Hughes, Pam	2019-2021 and expenditures and on through 2027.
	Note: Hughes, Pam	Direct testimony. Mr. Howard hands out page 29 of Witness Platz direct testimony. (Exhibit 2) Regarding Table 3-Targeted Underground Expenditures 2018-2027. Regarding the numbers in this column and what they are for.
	Note: Hughes, Pam	Row 11, Total Dist. Deprec EXP, \$ 14, 391,125.00
	Note: Hughes, Pam	Witness has not seen this document. It was part of application, subject to check.
9:54:44 AM	Atty Nguyen cross of Witness Platz	
	Note: Hughes, Pam	Regarding if any Alternative measures that Duke could take that would allow for to address these outliers, not only those specific customers. Limited number of customers that have been identified to enhance their electricity. Witness states they feel this is best long-term solution. Benefit to the customers that they are wanting to put underground electric lines.
	Note: Hughes, Pam	Regarding what other alternatives Duke Kentucky considered.
	Note: Hughes, Pam	Customer feed back that Duke is a well performing system, so why is there a need for the targeted underground program and Rider DCI.
	Note: Hughes, Pam	Refers to Mr. Hennings testimony and the JD Power customer satisfaction and the Fast track survey. Component of survey was 28% by JD Power. Regarding the things the surveys looked at. Outage restoration experience. Overall system reliabilities.
10:07:13 AM	Atty Nguyen cross of Witness Platz	
	Note: Hughes, Pam	Regarding a pilot program and some limitations to the pilot recommendation. Explain what other limitations there are from being a pilot program as to a permanent underground program.
10:09:16 AM	Comm Mathews cross of Witness Platz	
	Note: Hughes, Pam	Upramp in complaints of customers in these areas.
	Note: Hughes, Pam	Average number of major event days in last 14 years. PHDR, also number of customers affected and the length of the event. Witness states part of this is in one of the AG's data requests.
	Note: Hughes, Pam	Regarding similar characteristics in the outliers.
	Note: Hughes, Pam	Regarding vegetation management in place and limitations.
10:12:33 AM	Chairman cross of Witness Platz	
	Note: Hughes, Pam	Regarding that Duke does not provide underground services unless customers ask for it. Is this why they are trying to do this in thos program. Costs more to run underground but service is more reliable.
10:14:10 AM	Atty D'Ascenzo re direct of Witness Platz	
	Note: Hughes, Pam	Regarding his time working dealing with reliabilty issues. 27 years

	Note: Hughes, Pam	AG exhibit 7-Generator. Page 2 of document. Bullets on page 2-warranty. Five year limited warranty. Benefits of targeted underground would last 20 to 30 years. Regarding if generator would reduce event days like the target underground program.
	Note: Hughes, Pam	In testimony, attachment of reliability programs that Duke is doing and if these are efficient to address the circuits.
	Note: Hughes, Pam	Regarding the depreciation cost schedule he was given earlier. Is Duke seeking to recover through Rider DCI. O&M program costs, not recovered through Rider DCI.
10:19:09 AM	Atty Chandler re cross of Witness Platz	
	Note: Hughes, Pam	Regarding tools that TUG has.
	Note: Hughes, Pam	Regarding outlook on underground and savings in the long run in reducing number of times company has to go out and fix the issue.
	Note: Hughes, Pam	Regarding the DCI providing for savings of capitol costs.
	Note: Hughes, Pam	5 year warranty on the Generator. Warranty on poles and lines.
	Note: Hughes, Pam	Regarding different alternatives.
10:22:36 AM	Atty Chandler re cross of Witness Platz	
	Note: Hughes, Pam	Regarding the Major Event Days for outlier customers. Reduce MED's by 20%
10:24:18 AM	Atty Howard re cross of Witness Platz	
	Note: Hughes, Pam	Regarding the depreciation and capitol spend on DCI testimony.
	Note: Hughes, Pam	Not familiar with KU/LGE distribution system. Line items on bills for underground lines. He reviews the annual line items from other companies but generally familiar how these companies operate. Engineer at Duke Ky, Ohio & Indiana for 27 years. He assumes they have underground lines
10:28:21 AM	Objection	
	Note: Hughes, Pam	Sustained
10:28:37 AM	Witness excused	
10:28:50 AM	Break	
10:28:59 AM	Session Paused	
10:45:56 AM	Session Resumed	
10:45:59 AM	Chairman statement asks about exhibits.	
10:46:52 AM	Mr. Howard introduces exhibits NKU 1 and 2	
	Note: Hughes, Pam	Both entered into the record
10:47:43 AM	Ag exhibit 7 introduced into the record	
10:47:49 AM	Camera Lock PTZ Activated	
10:47:55 AM	Camera Lock Deactivated	
10:48:24 AM	Atty Honaker calls Witness Edwards	
	Note: Hughes, Pam	Sworn in by the Chairman
10:48:24 AM	Camera Lock PTZ Activated	
10:48:28 AM	Camera Lock Deactivated	
10:48:50 AM	Atty Honaker direct of Witness Edwards	
	Note: Hughes, Pam	April Edwards, Duke Energy, Manager of Distribution Vegetation Management for Kentucky, Ohio, and Indiana
10:49:26 AM	Atty McNeil cross of Witness Edwards	
	Note: Hughes, Pam	Regarding cost effectiveness of outsourcing vegetation management.
	Note: Hughes, Pam	Regarding numbers of Costs per mile, 4 1/2 vs. 5.
10:51:24 AM	Atty McNeil cross of Witness Edwards	
	Note: Hughes, Pam	Post Hearing Data Requests
	Note: Hughes, Pam	2018 multi year contract in place for 3 years with option for 2 more years. Regarding looking in house for these services. 4 million dollars going forward, anything identified to trim these costs?

Note: Hughes, Pam Page 12 of rebuttal testimony. Chart at bottom, distribution miles trend. 37% fewer miles in 2017, because they couldn't get a contractor until May.

10:55:16 AM Atty McNeil cross of Witness Edwards
Note: Hughes, Pam Regarding Mr. Platz testimony. Reliability for outlier customers to have reduction in trimming trees.

10:56:50 AM Atty McNeil cross of Witness Edwards
Note: Hughes, Pam Regarding cost saved for less vegetation management, would cost be flowed back to customers?

10:57:26 AM Atty Nguyen cross of Witness Edwards
Note: Hughes, Pam Discrepancy in historical costs of vegetation and what is being paid now. Last year had two supplier but typically it's one supplier.
Note: Hughes, Pam This is significant increase in veg, management compared to historical. Any other methods or alternatives considered by Duke for vegetation management.
Note: Hughes, Pam Target underground projects impact on vegetation program for the 1320 customers, but won't reduce the costs to Duke KY in respect to the project.
Note: Hughes, Pam Process by which Duke procures its vegetation management bids. Sourcing sent invitation to 6 to 8 suppliers but only 2 supplied bids. Not typical. Lack of available skilled workers makes them limited.

11:02:42 AM Atty Nguyen cross of Witness Edwards
Note: Hughes, Pam Expansion of trimming cycle and impact on cost.

11:03:53 AM Atty Kurtz cross of Witness Edwards
Note: Hughes, Pam Regarding tree trimmer salary

11:04:24 AM Witness excused

11:04:33 AM Witness Sarah Lawler called to the stand
Note: Hughes, Pam Sworn in by the Chairman

11:05:02 AM Atty Samford direct of Witness Lawler
Note: Hughes, Pam One change to rebuttal, page 1 line 5. Her title has changed .
Note: Hughes, Pam Sarah E. Lawler. Utilitiy Strategy Director

11:05:54 AM Atty Chandler cross of Witness Lawler
Note: Hughes, Pam Negative reductions for federal income tax rate. 21% tax rate.
Note: Hughes, Pam Regarding changes made by the company. Page 3 of Rebuttal testimony. Adjustments of capitalization

11:07:55 AM Atty Chandler cross of Witness Lawler
Note: Hughes, Pam Duke last rate case in 2016. This is first electric rate case since last one. Amount in base rates, not sharing any portion.
Note: Hughes, Pam Regarding 209,000.00 change. Page 7 of rebuttal testimony - Mr. Kollens adjustments on off systems rates and sales margins. Reads last sentence on page 7.

11:10:36 AM Atty Kurtz cross of Witness Lawler
Note: Hughes, Pam Amended rebuttal testimony, exhibit 1. 30.1 million being asked for in rate increase. Regarding the Adjustments and amounts. 14.3 million is the adjustment amount.

11:15:30 AM Atty Nguyen cross of Witness Lawler
Note: Hughes, Pam Rebuttal testimony, page 2, lines 16-18. Revisions as result of Tax Act. COS to be directed to Mr. Zowlikaski

11:16:33 AM Atty Nguyen cross of Witness Lawler
Note: Hughes, Pam Amended rebuttal testimony. Table revised base rate increase. PHDR, in excel format

11:17:21 AM Atty Nguyen cross of Witness Lawler
Note: Hughes, Pam Question she can't answer. Defers to someone else.

11:17:59 AM Atty Nguyen cross of Witness Lawler
Note: Hughes, Pam Rebuttal, page 3. Recalculation of gross revenue conversion. PHDR, schedule of computation with new tax rate.

11:18:38 AM Atty Nguyen cross of Witness Lawler
Note: Hughes, Pam Expenses from affiliates did Duke in test year contain any provisions for Federal income tax. Cost allocations defers to Witness Setser. Post Hearing Data Request needed.

11:20:27 AM Atty Samford re direct of Witness Lawler
Note: Hughes, Pam Regarding Mr. Kollens adjustments compared to hers.

11:20:57 AM Atty Chandler re cross of Witness Lawler
Note: Hughes, Pam Regarding returning the unprotected ADIT's over a 15 year period. Regarding the ARAM. Retail regulator for unprotected.

11:22:04 AM Atty Chandler asks that Ms. Lawler stay if he needs to re examine her.
Note: Hughes, Pam Chairman asks her to stay.

11:22:42 AM James Ziolkowski called to the stand
Note: Hughes, Pam Sworn in by Chairman

11:23:28 AM Atty Samford direct of Witness Ziolkowski
Note: Hughes, Pam James E. Ziolkowski - Director, Rayes and Regulatory Planning.
Note: Hughes, Pam Change -Delete sentence -Poles and conductors are 100% demand. Adopts his testimony and responses

11:24:32 AM Atty Howard cross of Witness Ziolkowski
Note: Hughes, Pam Regarding document by Mr. Sailors in response to Staff's DR4 - 19 that asks for an updated spreadsheet. Revised schedule M. Rate DT primary and %. Differences on revenue and percentages. PHDR needed.
Note: Hughes, Pam Regarding if there is an Excel Spreadsheet in record providing revenue allocation for each rate class and all Riders in the case at hand.
Note: Hughes, Pam Regarding spreadsheet in the record that breaks down the revenue allocation for all the tariffs Witness states JEZ-2 shows this. Accurate for rebuttal and amended rebuttal. Witness didn't file any rebuttal. PHDR needed
Note: Hughes, Pam Application, vol. 20, last page of Witness testimony attachment JEZ-2. Revenue allocation and % for each territory. Proposed revenue increase of 4, 409, 820.00 all inclusive of the FAC but not the Riders and profit sharing

11:38:00 AM Atty Samford remarks about the excel spreadsheet produced.
Note: Hughes, Pam Chairman asks Atty Howard if he wants spreadsheet after final Order. Atty states no, if there is one in the record already. Atty Samford believes it is in the record already. Witness thinks he is asking for a final schedule M that won't be done until case is closer to being done. Once witness gets an Order they have to run numbers again to get a revised schedule M.

11:42:21 AM Atty Howard cross of Witness Ziolkowski
Note: Hughes, Pam JEZ- page 1 of 1. Base rates and fuel. Response to Staff's DR 4-19. Witness says numbers are different but he did not prepare that.

11:44:08 AM Atty Kurtz cross of Witness Ziolkowski
Note: Hughes, Pam Regarding the base rate increase in application. Ms. Lawler has adjusted down the tax on her exhibit. 38% decrease in Duke's increase request.
Note: Hughes, Pam Regarding COS - 12 CP cost allocation method. Multiple cost of service methods recognized by NARUC. Goes over some of these methodologies.
Note: Hughes, Pam Regarding COS not exact and involves judgment. Factors that the Commission might use.

11:49:37 AM Atty Nguyen cross of Witness Ziolkowski
Note: Hughes, Pam Regarding the COS, and other adjustments made. PHDR - file a revised a 12-CP COS to reflect decrease in revenue.

11:51:35 AM Atty Nguyen cross of Witness Ziolkowski
Note: Hughes, Pam If Commission gives increase that is different than what Duke has asked for, how would they go forward? Regarding the COS factors that he and Atty Kurtz talked about.

11:54:24 AM Witness excused

11:54:35 AM Witness Sailors called to the stand
Note: Hughes, Pam Sworn in by the Chairman

11:54:59 AM Atty Samford direct of Witness Sailors
Note: Hughes, Pam Bruce Sailors. Rates and Regulatory Manager

11:55:35 AM Atty Chandler cross of Witness Sailors
Note: Hughes, Pam Regarding 2016-00152 Final Order, page 13 of Settlement. Section 9 at bottom; asks him to read this section into the record. Reconnection charges.
Note: Hughes, Pam Page 14 of rebuttal testimony. Line 15 and what it states. AMI reconnections and proposed charge.
Note: Hughes, Pam Rebuttal testimony, page 4. Chart provided by Duke in review of Tariffs. Does he think other utilities have other cost structures. Chart was a competitive with other companies. Defined service territory.

12:02:06 PM Atty Chandler cross of Witness Sailors
Note: Hughes, Pam Regarding LiHeap program and his understanding.

12:02:44 PM Atty Samford remarks he doesn't know the details of program

12:03:04 PM Atty Chandler cross of Witness Sailors
Note: Hughes, Pam Regarding if customer is provided assistance to pay electric bill, there is variable and fixed portions on the bill. Regarding portion that goes to usage.

12:05:03 PM Atty Samford states he doesn't think Witness can answer that.

12:06:02 PM Atty Howard cross of Witness Sailors
Note: Hughes, Pam Regarding excel spreadsheet in record that anyone can see revenue allocations in each tariff. Witness states what he has provided already. Regarding Schedule M that is in the record and if it will accurately represent Schedule M. Response to Staff's DR4 - 19. DT-PRI rates tab-various riders. Riders should be on bottom of the page. Percentage is dynamic.

12:12:51 PM Atty Howard cross of Witness Sailors
Note: Hughes, Pam Regarding the % going up or down.

12:13:40 PM Atty Malone cross of Witness Sailors
Note: Hughes, Pam Regarding Mr. Wilhite's testimony. KRS 160.325 - School energy management. What makes up the rate in rate DS? Explains Demand Ratchet. 85% demand ratchet in rate DS.

12:16:45 PM Atty Malone hands out KSBA exhibits 1 and 2
Note: Hughes, Pam Chart- system peak occurrence -School start. Wilhite Testimony, page 4 Corrected 3/6/18 and KSBA-DR-1-009 Attachment

12:19:28 PM Atty Howard cross of Witness Sailors
Note: Hughes, Pam Regarding if schools are gas heat and not electric, how will they be billed. Witness gives an example of demand ratchet. Peak demand shows what they will be billed going forward.
Note: Hughes, Pam What incentive would schools have if they have to pay the same cost year round if they didn't exceed September amount billed.
Note: Hughes, Pam Reason for demand ratchet. Witness explains.

12:25:11 PM Atty Howard cross of Witness Sailer
Note: Hughes, Pam Referring to KSBA exhibits 1 and 2. 2012-now when do systems peak? 5 peak months in July, 2 in August.

12:27:18 PM Atty Howard cross of Witness Sailer
Note: Hughes, Pam Rebuttal testimony , page 12. Referencing Commission decision in KY Power case.

12:29:11 PM Atty Howard cross of Witness Sailer
Note: Hughes, Pam Regarding rebuttal page 8. Summer peaks have occurred in July based on the chart in KSBA exhibit 1. Regarding KSBA exhibit 2. Group of customers peak different when the system peaks will the demand ratchet change.
Note: Hughes, Pam Page 10, rebuttal. His statement that Schools are similar to small or medium sized offices. Schools typically peak around lunch time, witness not aware. Regarding comment that the data Mr. White only included a limited number of schools. Only total of 37 schools out of 68 schools

12:35:22 PM Atty Nguyen cross of Witness Sailer
Note: Hughes, Pam Direct testimony. BLS-4 Provide in excel format if not in record.

12:36:11 PM Atty Nguyen cross of Witness Sailer
Note: Hughes, Pam Direct testimony, lines 10-19. Structural change to rate DT and rate TT. Summer and winter rates. Explains differences.
Note: Hughes, Pam Current and proposed energy charges for the rates DT and TT. On-peak summer and on-peak winter.

12:44:18 PM Atty Nguyen cross of Witness Sailer
Note: Hughes, Pam PHDR- which rate schedules sports fields are service under if not under SP. Monthly bill comparisons and what rate these sport fields are under.
Note: Hughes, Pam Rebuttal testimony, page 12. Line 16. Seasonal sport service. Rate SP closed in 1981. Has this been reopened? Confirm sports fields not under rate SP are now under another rate.

12:48:40 PM Atty Nguyen cross of Witness Sailer
Note: Hughes, Pam As to why rate SP not being re-opened.
Note: Hughes, Pam Usage characteristic

12:49:46 PM Atty Nguyen cross of Witness Sailer
Note: Hughes, Pam Statute 807 KAR 504, Section 6 Atty Nguyen reads this statute in the record.
Note: Hughes, Pam Staff's DR 4, item 5. Rate LED. Witness provides some explanations of this rate and length in other states.
Note: Hughes, Pam Item 11, same DR. Changes to Dukes co-generation tariffs. PJM specifies its capacity.
Note: Hughes, Pam Item 10 of same DR. Proposed changes to the CHTV Tariff.

12:55:57 PM Objection by Atty Samford
Note: Hughes, Pam Overruled, if witness can answer let him.

12:56:08 PM Atty Nguyen cross of Witness Sailer
Note: Hughes, Pam Witness explains to best of his knowledge. Rate charge from qualifying

12:57:02 PM Break
12:57:10 PM Session Paused
2:00:09 PM Session Resumed
2:00:13 PM Atty Nguyen cross of Witness Sailer
Note: Hughes, Pam Co-generation tariff, response to Staff's DR4 item 11.

2:03:16 PM Atty Nguyen cross of Witness Sailer
Note: Hughes, Pam Ky regulation mirrors that of PERPA - File every two years to be in compliance.

2:04:31 PM Atty Nguyen cross of Witness Sailers
Note: Hughes, Pam Response item 12.a. in DR4. One customer to enter into large co-generation tariff. They are not interested in doing what is considered capacity by PJM.
Note: Hughes, Pam Regarding in Schedule M, no customers at this time.
Note: Hughes, Pam Customers under Rider GSS being charged? No current customers.
Note: Hughes, Pam Response item 14 of DR4 - and Direct testimony, page 20. Rider GSS Line 16 in direct testimony. Ancillary service charge not included in Rider GSS.
Note: Hughes, Pam Response 12.c of Staff's DR4 Attachment 2 - on a CD, 6.52% PHDR

2:10:09 PM Atty Nguyen cross of Witness Sailers
Note: Hughes, Pam Staff's DR 4 - item 15. Proposed LED lighting rates. Revised in the change in Tax Act cuts. PHDR - revised tariff sheets.

2:11:30 PM Atty Nguyen cross of Witness Sailers
Note: Hughes, Pam Staff's DR2, item 9. Attachment A. Bill message to be sent to participants to those in budget payment plan. Staff's 3rd DR, item 10 - Attachment. Page 3 of 3. Annual budget payment plan bill message sent - company threshold.

2:14:06 PM Atty Samford re direct of Witness Sailers
Note: Hughes, Pam Regarding customer charges in rebuttal testimony. Utilities listed, he is not familiar with their cost structure or doesn't believe different.

2:15:04 PM Atty Samford re direct of Witness Sailers
Note: Hughes, Pam One portion of schools monthly bill - demand ratchet.

2:15:28 PM Atty Samford re direct of Witness Sailers
Note: Hughes, Pam Fixed customer charge v. volumetric customer charge. LiHeap payment and what portion gets paid to what portion.

2:16:11 PM Atty Samford re direct of Witness Sailers
Note: Hughes, Pam Regarding separate rate for sports fields. Overall revenue requirement.

2:17:31 PM Atty Samford re direct of Witness Sailers
Note: Hughes, Pam Changes to SPP and QF tariffs. Capacity performance. Duke Energy Indiana not subject to PJM. Carolina is not either, nor Florida. Ohio doesn't have generation resources.

2:18:39 PM Comm Mathews cross of Witness Sailers
Note: Hughes, Pam Regarding commercial entity taking service, what would be average bill, Schedule M would provide total hours.

2:19:43 PM Witness excused

2:19:51 PM Witness Wathan called to the stand.
Note: Hughes, Pam Sworn in by the Chairman

2:20:32 PM Atty D'Ascenzo direct of Witness Wathan
Note: Hughes, Pam Adopts testimony and eratta sheet.
Note: Hughes, Pam William Don Wathan Jr. Director of Rates and Regulatory Strategy, Ohio and KY.

2:21:30 PM Atty Chandler cross of Witness Sailers
Note: Hughes, Pam When did Duke become owner of East Bend station. end of year 2014.
Note: Hughes, Pam Rebuttal testimony, page 9. Methodology in the AMI case. Responses to PHDR he did. AG exhibit 5 - Order in Case No. 2016-00152, page 4 of the settlement attached. Operational benefits. It doesn't mention 5 years. 15 years of savings and costs. AG-74a. (filed confidential) Two different groups of adjustments for the test year. Levelized adjustment. DSL-4 costs and benefits for 15 year spreadsheet. It went to 2034.

	Note: Hughes, Pam	Proposal to have test year amount of replacement expense over or below. Mr. Kollen's testimony to have test year amount.
	Note: Hughes, Pam	Rebuttal testimony, page 4. Replacement power. It is an estimate of average cost.
2:33:43 PM	Atty Chandler cross of Witness Sailers	
	Note: Hughes, Pam	Regarding if Witness was at Case No. 2016-00152 Hearing
2:34:01 PM	Going into Confidential record	
	Note: Hughes, Pam	Chairman asks anyone not part of the case please step out into the lobby.
2:35:14 PM	Private Recording Activated	
2:36:13 PM	Laptops Activated	
2:45:13 PM	Laptops Deactivated	
2:59:13 PM	Public Recording Activated	
2:59:15 PM	Chairman states back on public record	
2:59:30 PM	Atty Chandler cross of Witness Sailers	
	Note: Hughes, Pam	Rebuttal, page 19. East bend O&M Regulatory Asset. Where this asset came about.
	Note: Hughes, Pam	Rebuttal testimony on planned outages, page 13. Cited Commission's approval in LGE/KU's most recent rate case. 2016-371 & 2016-00370 cases were settled. O&M expense for some planned outages but not all
3:03:26 PM	Atty Chandler cross of Witness Sailers	
	Note: Hughes, Pam	Regarding Credit back to revenue long term debt rate. Is 30 million sum going to be part of capitalization? ADIT's are on offset.
	Note: Hughes, Pam	Witness reads into the record his Rebuttal, page 19, line 8 sentence. Mr. Kollen's position and the Reg asset at long term debt rate. How is it part of regularization?
	Note: Hughes, Pam	Page 21 of Rebuttal testimony. Witness thinks Mr. Kollen's adjustment was incorrect and proposes an alternative. Atty Chandler reads statement. Regarding Average weighted cost of capital.
3:14:31 PM	Atty Chandler cross of Witness Sailers	
	Note: Hughes, Pam	Page 26 of rebuttal testimony. Recent settlement between AG and LGE/KU and KIUC. Was final order attached to that rebuttal. No final order.
	Note: Hughes, Pam	Regarding the LGE/KU tax case
	Note: Hughes, Pam	Page 29 of rebuttal. What company owes customers from Jan.1, 2018. WDW Rebuttal 5, page 1 -
3:18:19 PM	Atty Chandler hands out a paper	
	Note: Hughes, Pam	Regarding calculation he came up with that the company thinks they owe customers. Does he believe the Commission will get an Order out approving the capitalization amount? Negative concerns because of Tax Act.
	Note: Hughes, Pam	Regarding Witness De May's testimony. WDW 5. Whether or not LGE/KU updated their capitalization because of the Tax Act?
3:28:34 PM	Atty Chandler cross of Witness Sailers	
	Note: Hughes, Pam	Aware of any other settlements with the Commission due to the Tax Act.
3:29:10 PM	Atty Chandler hands out AG exhibit 9	
	Note: Hughes, Pam	Atmos Energy Case No. 2018-00039 Settlement (Cover Ltr says 2017)
3:30:25 PM	Break	
3:30:31 PM	Session Paused	
3:44:57 PM	Session Resumed	

3:45:02 PM Atty Chandler cross of Witness Sailers
Note: Hughes, Pam 2018-00039 Cover Ltr and Settlement in Atmos Energy Case. Did not use same methodology as LGE/KU
Note: Hughes, Pam Page 36 of rebuttal. Response to Mr. Kollen's Rider FTR, it was Case No. 2017-00179. Ky Power case was settled by litigation. Partial unanimous settlement. Line 7 states included portions of that rider. Rider was only 80% of FERC costs.
Note: Hughes, Pam Ferc Transmission Rider rebuttal testimony. page 33.
Note: Hughes, Pam Mr. Satterwhite's testimony. Rider approved by the Commission in that case is different than the one Duke proposes in this case. Difference in utility stating this cost not volatile enough to come in every year for increase in rates.
Note: Hughes, Pam Similar rider in rebuttal

3:52:16 PM Atty Chandler cross of Witness Sailers
Note: Hughes, Pam Regarding Mr. Kollen's testimony where he discussed Rider FTR. He reads from Witness's rebuttal about Mr. Kollen's testimony.
Note: Hughes, Pam If Lane Kollen didn't provide testimony on the subject, what was the purpose of his rebuttal on this page. Atty Chandler reads Witness Sailers rebuttal concerning the FTR rider.

3:56:39 PM Chairman Schmitt asks to move on to something else.
Note: Hughes, Pam Atty Chandler asks if he cited this in the 2014 case.

3:57:31 PM Atty Chandler cross of Witness Sailers
Note: Hughes, Pam Regarding a 3 year rate case stay out. 9.75 ROE and Commission later made it 9.7%
Note: Hughes, Pam Dukes DCI Rider, Lines 21 and 22. ASRP is pipeline replacement program.

3:59:36 PM Atty Chandler cross of Witness Sailers
Note: Hughes, Pam Duke's response to Staff's DR Witnesses response about economic development. Item 13, Mr. Sessions responded to- are these costs the ones that are economic development.
Note: Hughes, Pam Regarding 2006 case. Economic development done the same.

4:02:43 PM Atty Nguyen cross of Witness Sailers
Note: Hughes, Pam Regarding the Riders. Two service gas riders and statutorily they can get surcharge from these. Recovery of distribution

4:04:17 PM Objection
Note: Hughes, Pam sustained

4:04:26 PM Atty Nguyen cross of Witness Sailers
Note: Hughes, Pam Case No.'s 2016-00370 & 371 the companies used 4 years. Is it reasonable to use equal number of historical and forecasted years? PHDR_planned for 4 historical years in 2017. and four perspective years starting in 2018.
Note: Hughes, Pam Regarding Mr. Kollen's testimony, page 16. Item 171 to Staff's 1st DR. How did Duke Ky arrive at this amount? Subject to check average of 6 historical years and forecasted for 2018.

4:10:44 PM Atty Nguyen cross of Witness Sailers
Note: Hughes, Pam Regarding Brian Collins testimony, page 17. Is this a valid recommendation for the Rider DCI and FTR to be rejected.

4:14:48 PM Atty Nguyen cross of Witness Sailers
Note: Hughes, Pam Refers to Application on page 19, paragraph 40. and direct testimony, page 19. Proposed FTR mechanism. Will be filed on an annual basis. Direct testimony - quarterly review of FTR and amendment under the rider would be more appropriate.

4:19:50 PM Atty Nguyen cross of Witness Sailers
Note: Hughes, Pam Refer to Duke's responses to Staff's 2nd DR, item 79. Recalculate Rider PSM. PHDR needed - full calendar year of 2017

4:21:46 PM Atty Nguyen hands out appendix A, a bill format for Duke Kentucky
Note: Hughes, Pam Bill format included in Duke Ky's tariff. Do the customers receive all 3 of these pages as their bill? Any complaints from Duke's customers that they only receive a portion of their bill (they don't get the itemized portion).

4:25:17 PM Comm Mathews cross of Witness Sailors
Note: Hughes, Pam Rider to collect OATS charges and does Duke participate in PJM stakeholders process.

4:26:09 PM Atty D'Ascenzo re direct of Witness Sailors
Note: Hughes, Pam Regarding Ky Power's Rider that the Commission approved. KY Power owns transmission. Duke Ky only has very little transmission. Costs from PJM for use of transmission, they have very little control over these costs.
Note: Hughes, Pam Commission found them volatile in it's Order. OAT under PJM
Note: Hughes, Pam Referring to reading the Order in Kentucky Power's latest rate case.

4:28:30 PM Atty D'Ascenzo re direct of Witness Sailors
Note: Hughes, Pam AMI calculation. In rebuttal, 15 years AMI savings and whether Mr. Kollen has filed an errata filing last night and his calculation came within a few dollars of his.

4:29:36 PM Atty Chandler re cross of Witness Sailors
Note: Hughes, Pam Regarding his position that the company should adhere to the settlement in 2016-00152 as far as the AMI benefit level.
Note: Hughes, Pam Regarding Duke and Ky Power being in different zones. PJM rates for all companies for Kw's.

4:32:22 PM Witness excused

4:32:48 PM Atty Chandler said Ms. Lawler is no longer needed. Chairman excused her.

4:33:14 PM Atty Nguyen statement about PHDR to Duke

4:33:34 PM Session Paused

4:34:54 PM Session Resumed

4:35:01 PM Back from short break.

4:35:18 PM Chairman comments about customer bills
Note: Hughes, Pam Regarding if Duke is compliant with its Tariff

4:37:14 PM Atty Howard calls Witness Collins to the stand
Note: Hughes, Pam Sworn in by the Chairman

4:37:36 PM Atty Howard direct of Witness Collins
Note: Hughes, Pam Brian C. Collins. Principal, Brubaker & Associates, Inc. Filed testimony and responses. Adopts all.

4:38:51 PM Atty Honaker cross of Witness Collins
Note: Hughes, Pam No issues with the Company's COS
Note: Hughes, Pam Regarding COS and proposed reg and Rider FTR.
Note: Hughes, Pam Regarding what he reviewed to prepare for this case.
Note: Hughes, Pam Referring to him thinking Rider DCI could cost more to customers. Annual filings with the Commission.

4:42:09 PM Atty Honaker cross of Witness Collins
Note: Hughes, Pam Regarding in his testimony he supports the underground program but not the Rider DCI.

4:42:58 PM Atty Chandler cross of Witness Collins
Note: Hughes, Pam Regarding the DCI updates in lieu of rate cases. Regarding intervenors in this case and they are interested in the rates in the annual DCI filings.

4:44:14 PM Atty Howard re direct of Witness Collins
Note: Hughes, Pam In general course of business should the program be included in a base rate case.

4:45:05 PM Atty Honaker cross of Witness Collins
Note: Hughes, Pam Referring to intervenors with Duke Ky's AMRP cases they file annually
Note: Hughes, Pam How many Duke Ky cases as he been involved in. This is the first in KY.

4:45:51 PM Witness excused

4:46:02 PM Atty Malone calls Witness Willhite
Note: Hughes, Pam Sworn in by the Chairman

4:46:38 PM Atty Malone direct of Witness Willhite
Note: Hughes, Pam Ronald Willhite, Director of School Energy Managers Project. Adopts his testimony and DR's.

4:47:23 PM Atty Honaker cross Witness Willhite
Note: Hughes, Pam Have Energy Managers roles saved the schools money. Most of the money goes into the classroom and it's hard to employ a non-classified employee. Can the Energy Managers be shared amongst the schools?
Note: Hughes, Pam Regarding if any schools in Duke territory have implemented energy savings measures. Do any participate in DSM programs from Duke and typically have cost savings. There are Energy Managers in some of the schools and what they do.
Note: Hughes, Pam Regarding schools having a separate rate. Schools are open year round even when children aren't in session. Typically no schools in Duke's territory in June. Some go in mid August or later. Administrators are in the building during the summer months, etc.

4:54:49 PM Atty Honaker cross Witness Willhite
Note: Hughes, Pam Involvement in the Ky Power rate case. Pilot program but Commission determined the P-12 not be implemented
Note: Hughes, Pam Sports fields in Duke territory that are not on the SP rate. The others are rate DS.
Note: Hughes, Pam Regarding the COS analysis he did. His recommendation was for there to be 50kw or more. 6 accounts in the 50 to 70kw.

4:59:12 PM Atty Malone re direct Witness Willhite
Note: Hughes, Pam Regarding the Energy Managers in the Duke KY territory.
Note: Hughes, Pam Regarding Ky Power case. Ky Power is winter peak and Duke is summer peak. Difference in this.
Note: Hughes, Pam KSBA options that they suggest.
Note: Hughes, Pam Is there a performance based plan for these Energy Managers.

5:04:53 PM Atty Malone re direct Witness Willhite
Note: Hughes, Pam Regarding Rate DS.
Note: Hughes, Pam Regarding significance of group of customers at a time that the system is peaking. Refers to the 85% pay in September.

5:07:07 PM Atty Honaker recross Witness Willhite
Note: Hughes, Pam If the company eliminated the ratchet wouldn't the other customers have to make up for that?

5:07:55 PM Comm Mathews cross of Witness Willhite
Note: Hughes, Pam If the 85% is what they have in September, it is less incentive to manage peak demands in other months

5:08:43 PM Witness excused

5:08:51 PM Hearing will continue March 8, 2017

5:09:05 PM Adjourned

5:09:11 PM Session Paused

5:10:03 PM Session Ended



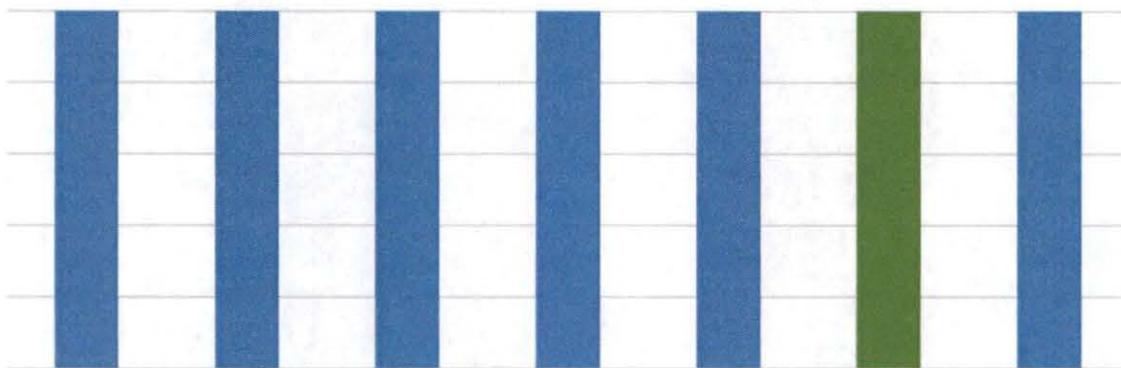
Judge: Talina Mathews; Michael Schmitt

Witness: Anthony J. Platz; April N. Edwards; Brian Collins; James E. Ziolkowski; Bruce Sailors; Lawler Sarah E; Stephen De May; Don Wathen; Ronald Willhite

Clerk: Pam Hughes

Name:	Description:
AG Confidential Exhibit 08	[REDACTED]
AG Exhibit 07	Page 1 of 4 . Home depot add for a Generac 22,000 Watt Generator.
AG Exhibit 09	Settlement testimony in Case No. 2018-00039 of Joe Christian with cover ltr.
KSBA Exhibit 01	Willhite testimony, Page 4 System Peak Occurance-School Start
KSBA Exhibit 02	KSBA_DR-01-009 Attachment Peak Day Chart
NKU Exhibit 01	Duke Energy Kentucky -Functional Electric Cost of Service Prepared by Witness Ziolkowski. Page 10 of 18
NKU Exhibit 02	Page 29 of Anthony Platz Direct testimony

System Peak Occurrence -School Start
Willhite Testimony Page 4
Corrected 3/6/18

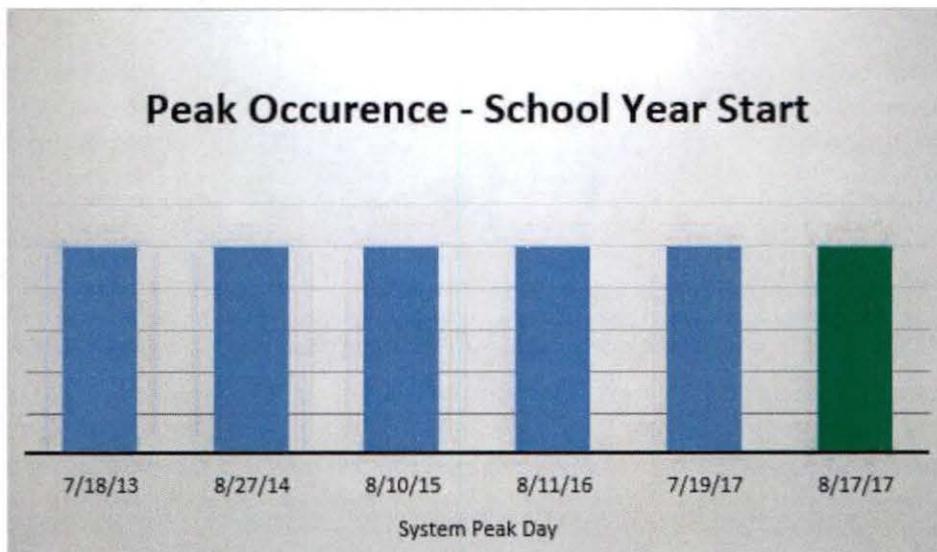


7/18/13	7/19/17*	7/25/12	7/25/16	7/29/15	8/15-17/xx	8/27/14
1600	1600	1700	1400	1400	School Start	1600

-----System Peak Day & Time-----

*Note: 2017 peak also 8/17 @1400

Original Chart



Peak Day	HOUR												
	8	9	10	11	12	13	14	15	16	17	18	19	20
1/13/2012	653	649	650	651	648	643	637	636	634	633	648	659	645
2/11/2012	546	561	569	576	580	579	574	570	575	584	594	619	617
3/21/2012	474	491	517	537	555	571	580	592	605	605	597	582	596
4/30/2012	441	463	485	499	512	526	533	540	537	533	528	535	542
5/28/2012	476	536	595	638	668	688	696	703	710	717	711	696	680
6/29/2012	638	689	740	786	819	851	866	873	878	750	639	617	605
7/25/2012	597	639	691	734	776	813	844	872	885	868	842	836	820
8/8/2012	579	629	678	719	758	796	821	838	852	848	836	816	793
9/5/2012	583	624	671	712	741	762	774	767	740	684	652	641	647
10/30/2012	529	527	536	534	533	531	527	527	526	532	548	559	551
11/29/2012	583	568	550	540	524	514	501	496	488	494	540	566	566
12/21/2012	579	584	592	603	605	602	600	600	599	604	630	631	617
1/22/2013	710	695	683	673	659	644	631	618	618	621	650	695	695
2/1/2013	681	675	668	660	644	631	615	603	593	588	608	647	649
3/14/2013	606	581	571	557	541	528	517	506	499	490	498	519	541
4/18/2013	473	495	517	531	541	551	555	563	555	538	525	519	538
5/30/2013	541	582	621	652	674	696	712	718	727	724	710	693	676
6/25/2013	567	614	666	707	741	767	786	801	813	812	802	783	759
7/18/2013	654	706	754	788	813	835	847	857	858	854	849	829	805
8/28/2013	639	672	711	749	775	803	817	811	848	853	827	800	794
9/10/2013	621	652	700	745	783	813	838	851	851	832	815	803	799
10/4/2013	498	520	555	582	606	631	642	660	662	651	625	617	606
11/27/2013	560	571	582	588	587	578	578	573	569	571	601	610	604
12/12/2013	681	669	648	637	621	604	600	596	593	603	651	676	678
1/6/2014	713	727	739	758	757	763	768	770	780	792	828	859	860
2/11/2014	746	731	702	679	657	637	622	609	601	601	623	669	689
3/4/2014	684	657	632	614	597	574	539	537	532	537	550	579	614
4/16/2014	543	528	523	514	503	493	487	449	456	458	459	469	494
5/27/2014	548	596	638	670	692	689	682	708	722	726	716	697	680
6/18/2014	611	654	692	732	755	772	787	802	812	816	808	786	761
7/1/2014	635	677	708	736	763	784	801	813	818	819	807	756	732
8/27/2014	592	638	687	725	756	790	811	830	837	834	817	792	782
9/5/2014	595	641	686	722	753	778	791	807	815	809	789	754	743
10/2/2014	466	482	515	541	568	595	616	632	631	628	612	619	616
11/18/2014	655	646	638	636	624	614	605	605	615	629	661	680	672
12/17/2014	582	577	577	582	581	576	576	562	569	585	626	638	634
1/8/2015	785	771	756	751	747	733	715	713	709	712	732	745	735
2/20/2015	799	782	752	732	711	689	677	662	663	664	675	697	699
3/6/2015	714	687	655	636	619	602	592	579	570	565	570	594	624
4/13/2015	442	458	473	481	489	498	506	506	506	507	501	496	515
5/29/2015	528	553	580	601	619	633	653	668	682	683	662	636	615
6/23/2015	599	625	662	691	719	747	765	774	778	771	754	727	688
7/29/2015	629	663	712	752	773	795	816	784	733	741	743	706	695
8/10/2015	540	568	611	641	670	706	723	740	746	742	738	673	646
9/4/2015	548	590	638	681	709	733	750	758	773	772	751	675	648
10/8/2015	436	457	483	508	523	533	547	554	545	540	531	536	529
11/23/2015	589	587	580	577	559	547	537	534	530	531	561	585	581
12/18/2015	547	546	546	545	530	509	520	535	535	533	563	577	569
1/19/2016	712	705	683	667	651	635	622	613	605	603	630	668	672
2/10/2016	656	651	651	647	643	638	638	642	640	643	653	678	679
3/3/2016	551	566	574	578	578	581	589	580	586	590	594	609	621
4/26/2016	472	492	517	540	557	574	585	595	599	581	563	528	518
5/31/2016	525	574	619	657	682	696	705	710	717	708	685	671	653
6/20/2016	577	621	672	708	735	753	769	780	787	787	772	752	729
7/25/2016	654	712	768	801	820	834	847	845	836	819	810	789	771
8/11/2016	647	702	748	783	801	818	836	844	838	834	823	802	778
9/7/2016	599	641	688	724	759	787	804	816	813	809	801	776	764
10/6/2016	480	502	523	548	577	602	618	633	637	628	608	600	589
11/22/2016	557	551	547	536	520	509	501	502	505	510	532	543	539
12/15/2016	705	696	701	666	654	639	632	618	621	636	678	696	698
1/6/2017	680	676	673	668	661	656	646	642	637	638	664	683	682
2/9/2017	587	587	591	595	591	587	575	563	557	557	571	610	623
3/15/2017	627	612	602	591	586	580	576	571	569	568	567	572	599
4/26/2017	462	487	507	524	539	557	570	584	588	586	578	557	557
5/19/2017	549	591	626	654	669	686	698	678	638	580	541	526	517
6/12/2017	565	616	663	694	724	737	754	768	773	759	744	727	713
7/19/2017	602	644	688	717	744	768	781	795	805	802	792	773	741
8/17/2017	612	663	708	736	768	794	805	743	697	704	708	693	689
9/21/2017	528	561	604	641	677	706	725	732	738	737	712	690	689

KSBA
 Exhibit 2

NKU
Exhibit 1

DUKE ENERGY KENTUCKY, INC.
FUNCTIONAL ELECTRIC COST OF SERVICE
CASE NO: 2017-00321
DATA: 12 MONTHS ACTUAL & 0 MONTHS ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED

FR-16(7)(v)-1
WITNESS RESPONSIBLE:
JAMES E. ZIOLKOWSKI
PAGE 10 OF 18

LINE NO.	DEPRECIATION EXPENSE	ALLO	TOTAL ELECTRIC	FUNCTIONAL			TOTAL AT ISSUE	ALL OTHER
				PRODUCTION 3	TRANSMISSION 4	DISTRIBUTION 5		
1	PRODUCTION DEPRECIATION							
2	PRODUCTION DEPRECIATION	P229	31,631,617	31,631,617	0	0	31,631,617	0
3	TOTAL PRODUCTION DEPREC EXP.		31,631,617	31,631,617	0	0	31,631,617	0
4								
5	TRANSMISSION DEPRECIATION							
6	TRANSMISSION DEPRECIATION	T229	1,829,174	0	1,829,174	0	1,829,174	0
7	TOTAL TRANSMISSION DEP. EXP.		1,829,174	0	1,829,174	0	1,829,174	0
8								
9	DISTRIBUTION DEPRECIATION							
10	DISTRIBUTION DEPRECIATION	D249	14,391,125	0	2,878	14,388,247	14,391,125	0
11	TOTAL DIST. DEPREC EXP.		14,391,125	0	2,878	14,388,247	14,391,125	0
12								
13	GENERAL DEPRECIATION							
14	GENERAL DEPRECIATION	G229	2,845,247	2,061,723	150,343	633,181	2,845,247	0
15	TOTAL GENERAL DEPREC EXP.		2,845,247	2,061,723	150,343	633,181	2,845,247	0
16								
17	COMMON AND OTHER DEPRECIATION							
18	COMMON DEPRECIATION	C229	272,151	191,608	14,380	66,163	272,151	0
19	TOTAL COM & OTHER DEPREC EXP.		272,151	191,608	14,380	66,163	272,151	0
20								
21								
22	TOTAL DEPRECIATION EXPENSE		50,969,314	33,884,948	1,996,775	15,087,591	50,969,314	0

1 high-level cost estimates are projections based upon an average cost per line mile
2 that ranges from \$300,000 to \$500,000.

Table 3 – Targeted Underground Expenditures 2018-2027

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
(\$ million)	0	5	5	5	8	8	8	8	10	10

3 The Company has identified more specific budget details for the first five years of
4 the Targeted Underground Program as follows:

**Table 4 – Targeted Underground Expenditures
By Category 2018-2022 (\$ million)**

	2018	2019	2020	2021	2022
Engineering	0.00	0.75	0.75	0.75	1.20
Construction	0.00	3.00	3.00	3.00	4.80
Material	0.00	1.25	1.25	1.25	2.00
Total	0.00	5.00	5.00	5.00	8.00

5 **Q. HOW DOES DUKE ENERGY KENTUCKY'S TARGETED**
6 **UNDERGROUND PROGRAM ALIGN WITH PREVIOUS COMMISSION**
7 **DIRECTIVES?**

8 A. In Case No. 2011-00450, the Commission issued its Order on April 1, 2014, to
9 direct utilities to share Corrective Action Plans (if developed) for the 5 percent
10 worst-performing circuits. The Targeted Underground Program focuses on
11 specific overhead line segments, rather than moving entire circuits underground.
12 However, the examples of tree-related and public action-caused customer
13 interruptions reflect the value of focusing on improving service performance at an
14 even more granular level than contemplated by the Commission in its Order.

Home / Outdoors / Outdoor Power Equipment / Generators / Standby Generators

Model # 7043 Internet #300117806 Store SO SKU #1001986221

AG Exhibit 7



Share Save to List Print

Generac

22,000-Watt (LP)/19,500-Watt (NG) Air Cooled Standby Generator with Whole House 200 Amp Automatic Transfer Switch

★★★★★ (1,230) Write a Review Questions & Answers (140)

- Perfect for home standby in case of power outages or emergencies
- Generac OHVI engine is purpose-built for extended run times
- True Power Technology delivers best-in class power quality

\$ **4797**⁰⁰ /each

Quantity

Not in Your Store - We'll Ship It There

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We'll send it to Turfland for free pickup

Available for pickup
March 8 - March 13

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We'll Deliver It to You

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Standard Delivery

Get it by
March 12

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AK, GU, HI, PR, VI, More

Easy returns in store and online
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Installation Options

Product Overview

- Perfect for home standby in case of power outages or emergencies

- Generac OHVI engine is purpose-built for extended run times
- True Power Technology delivers best-in class power quality

Model #: 7043

Internet #: 300117806

The new lineup of home standby generators from Generac were created to save you money on installation while offering the same reliability and peace of mind you get from all Generac home standby generators. Features that simplify the process for our installers include removable door panels, a base pad that requires minimal ground preparation and more efficient wiring techniques that save time on installation. Innovative engine design and rigorous testing are at the heart of Generac's success in providing the most reliable generators possible. Generac's G-force engine line up offers added peace of mind and reliability for when you need it the most. The G-force series engines are purpose built and designed to handle the rigors of extended run times in high temperatures and extreme operating conditions.

- Up to whole house protection with the 200 Amp, NEMA 3R (aluminum outdoor enclosure) smart switch
- Evolution controller featuring a multilingual, 2-line LCD text display with color-coded, backlit buttons allows for easy monitoring and management of generator functions
- Save money: product design features reduce cost of installation
- True power technology provides best-in-class power quality with less than 5% total harmonic distortion for clean, smooth operation of your sensitive electronics and appliances
- Third-party certified to NFPA standards to be installed as close as 18 in. from the home's exterior wall, provided it is located away from doors, windows and fresh-air intakes and unless otherwise directed by local codes
- Mobile link compatible, so you can add the mobile link remote monitoring system and check on your generator's status using your computer, tablet or smart phone even when you're away (sold separately)
- All-weather aluminum enclosure with its durable powder-coat finish helps make the sturdy, all-weather aluminum enclosure corrosion resistant, making it ideal for coastal, salt-air climates
- 5-year limited warranty
- Battery (not included): 12-Volt, group 26R 540 CCA minimum OR Group 35AGM 650 CCA minimum
- Download the product brochure claim form from this page for more details

Info & Guides

- Full Product Manual
- Product Brochure
- Replacement Part List
- Specification
- Warranty

You will need Adobe® Acrobat® Reader to view PDF documents. Download a free copy from the Adobe Web site.

Specifications

Dimensions

Product Height (in.)

29 in

Product Length (in.)

48 in

Product Width (in.)

25 in

Details

Application

Home Standby

CA (CARB) Compliant

CARB Compliant

Color Family

Beige

Engine Displacement (cc)
999
Engine Make
OEM Branded
Features
Low Oil Shutdown,Overload Protection
Fuel Tank Capacity (gallons)
0
Full load fuel consumption (gallons/hour)
0
Included
Automatic Transfer Switch
Number of circuits/outlets
0
Operational Volume (dB)
67
Outlet Type
120/240 Single Phase
Power Type
Natural Gas,Propane Liquid
Product Weight (lb.)
515 lb
Response Time (sec.)
10
Returnable
Non-Returnable
Run time at 50% load (hours/tank or charge)
0
Running Wattage
22000
Start Type
Electric Switch
Suggested Uses
Large Appliances,Lights,Mobile Devices,Power Tools,Small Appliances,Small Electronics,Sump Pump,Well Pump

Warranty / Certifications

Certifications and Listings
1-UL Listed,CARB Compliant
Manufacturer Warranty
5-Year Limited Warranty

How can we improve our product information? Provide feedback.

Recently Viewed Items



Generac 22,000-Watt (LP)/19,500-Watt (NG) Air

(1230)

\$4797_{/each}



Generac 36,000-Watt 120-Volt/240-Volt Liquid Cooled

(9)

\$10998_{/each}

JOHN N. HUGHES ^{AG}
ATTORNEY AT LAW Exhibit 9
PROFESSIONAL SERVICE CORPORATION
124 WEST TODD STREET
FRANKFORT, KENTUCKY 40601

Telephone: (502) 227-7270

jnhughes@johnnhughespsc.com

February 27, 2018

Gwen Pinson
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Atmos Energy Corporation:
Case No. 2017-00039

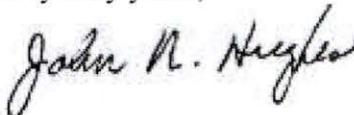
Dear Ms. Pinson:

Atmos Energy Corporation and the Attorney General, Office of Rate Intervention, submit the proposed Settlement in this case.

I certify that the electronic filing is a complete and accurate copy of the original documents to be filed in this matter, which will be filed within two days of this submission and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

If you have any questions about this matter, please contact me.

Very truly yours,



John N. Hughes

And

Mark R. Hutchinson
Wilson, Hutchinson and Littlepage
611 Frederica St.
Owensboro, KY 42301
270 926 5011
randy@whplawfirm.com

Attorneys for Atmos Energy
Corporation

**BEFORE THE PUBLIC SERVICE COMMISSION
COMMONWEALTH OF KENTUCKY**

**ELECTRONIC INVESTIGATION OF THE IMPACT)
OF THE TAX CUTS AND JOB ACT ON THE) CASE NO. 2018-00039
RATES OF ATMOS ENERGY CORPORATION)**

SETTLEMENT TESTIMONY OF JOE T. CHRISTIAN

I. INTRODUCTION

1
2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Joe T. Christian. My business address is 5420 LBJ Freeway, 1600
4 Lincoln Centre, Dallas, TX 75240.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Atmos Energy Corporation (“Atmos Energy” or “the Company”)
7 as Director of Rates & Regulatory Affairs (Shared Services).

8 **Q. ARE YOU THE SAME JOE CHRISTIAN THAT FILED PREFILED
9 TESTIMONY IN THIS PROCEEDING?¹**

10 A. Yes.

II. PURPOSE

12 **Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

13 A. The purpose of my testimony is to speak to the terms of the Settlement Agreement
14 that is implementing the interim rate adjustment to reflect an adjustment to rates for

¹ The Company’s Direct Testimony and Exhibits were filed in Case No. 2017-00481. The Commission opened Case No. 2018-00039 on January 30, 2018 and has closed Case No. 2017-00481.

1 the Tax Expense calculation due to the Tax Cuts and Jobs Act (“TCJA”).
2 Specifically, I will describe the steps taken by the Company to arrive at the agreed
3 upon interim rates between the Company and the Office of the Attorney General of
4 Kentucky (“OAG”).

5 **Q. DO YOU HAVE ANY EXHIBITS ATTACHED TO YOUR TESTIMONY?**

6 A. Yes. I have one Exhibit, JTC-S-1 Tariffs, reflecting the Company’s proposed tariff
7 changes as a result of the Settlement Agreement.

8 **Q. WHAT PORTION OF THE TCJA DOES THE AGREED UPON INTERIM**
9 **RATE ADJUSTMENT CAPTURE IN THE COMPANY’S COST OF**
10 **SERVICE?**

11 A. As described in my direct testimony, Atmos Energy is recording a deferred liability
12 to preserve for customers the benefit of the tax savings beginning January 1, 2018,
13 through the effective date of the rates resulting from the pending rate case which
14 will fully reflect our best estimate of the full benefits of the tax savings going
15 forward.² However, to provide customers with the most significant driver of
16 benefits of TCJA while the details are worked out Atmos Energy can, upon
17 Commission order, put in place an interim rate adjustment that flows back an
18 estimated amount of savings to its customers through their bills. The interim rates
19 produced are Exhibits JTC-1 and Exhibits JTC-2 that compare existing base rates
20 and PRP rates, respectively, with the rates that would be derived with a change of

² As will be more fully explained in the rate case, the Company’s fiscal year end of September 30 combined with additional technical work related to the amortization of the excess deferred liability will take some time to work through, however the estimated impact will be incorporated and updated in a future filing.

1 a federal corporate tax rate from 35 percent to 21 percent applied to the cost of
2 service models for these rates.

3 **Q. ARE THE AGREED UPON INTERIM RATES THE SAME AS SHOWN IN**
4 **EXHIBIT JTC-1 AND EXHIBIT JTC-2 IN YOUR DIRECT TESTIMONY?**

5 A. Yes. Per the terms of the Settlement Agreement, the Company and the OAG have
6 not endorsed or set precedent with any particular methodology concerning the
7 calculation of the interim rates, but have agreed that the proposed interim rates set
8 forth in JTC-1 and JTC-2 are appropriate to put into effect. These estimated interim
9 rates in the Company's cost of service rates result in approximately \$5.6 million of
10 annual savings to reduce customer bills.

11 **Q. WHEN DOES THE SETTLEMENT PROPOSE TO IMPLEMENT THESE**
12 **INTERIM RATES?**

13 A. The Company and the OAG support prompt implementation of the reduced rates,
14 and both understand the Commission is supportive of that objective. Therefore, we
15 propose that the interim rates be implemented effective for services rendered as
16 early as March 1.

17 **Q. PLEASE DESCRIBE THE STEPS ATMOS TOOK IN JTC-1 TO**
18 **CALCULATE ESTIMATED INTERIM RATES FOR BASE RATES?**

19 A. Exhibit JTC-1 is built upon a Cost of Service model reflecting the settlement
20 position resulting from the Company's last rate case, Case No. 2015-00343 ("2015
21 Settlement Model"). The 2015 Settlement Model consisted of the following steps:

- 22 • The Excel file, filed in both Case No. 2017-00349 and 2018-00039 was
23 labeled "KY Rev Req Model – 2015 Settlement."

- 1 • This file was built upon a model provided in response to Staff 2-21
2 Attachment 1 in Case No. 2015-00343.
- 3 • Ratemaking adjustments to that foundation file, to simulate the black-box
4 settlement, including reflection of an ROE of 9.7% (see Tab J-1F) and an
5 O&M adjustments of (\$132,364) (see Tab C.2).
- 6 • Because the Company is in a net loss position, all of the tax expense
7 included in cost of service is deferred and therefore must be equal to the
8 total change in deferred taxes (“ADIT”). On tab B.5 F, cell I73 must be
9 computed to balance amounts computed in cells I70 and I75. This
10 determines the amount of change in the Net Operating Loss Carryforward
11 (“NOLC”) necessary for the total change in ADIT from the Base Period to
12 the Forward Looking Test Period to equal the amount of income tax expense
13 included in the cost of service. The amount in cell I70 of Schedule B.5.F is
14 equal to the amount on Schedule C.1 cell J23 and is the tax expense included
15 in cost of service calculated at the statutory rate. The \$9,564,894 in cell
16 I73 was calculated using the "goal seek" function in Microsoft Excel. The
17 goal seek function was set to make the sum of cell I70 and I73 equal to zero
18 by changing the cell in I73 (the \$9,564,894 change in NOLC).

19 **Q. BASED ON THE SETTLEMENT MODEL DESCRIBED IN THE**
20 **PREVIOUS QUESTION AND ANSWER, PLEASE DESCRIBE THE NEXT**
21 **STEPS NEEDED TO DETERMINE THE IMPACT OF TCJA.**

22 A. Using the 2015 Settlement Model as a starting point, with a federal income tax
23 (“FIT”) rate of 35%, the Company made the following adjustments:

- 1 • The Company modified the filing to reflect a FIT rate adjustment from 35%
- 2 to 21% with the following entries:
- 3 ○ On the Allocation tab, cell E23, changed the keyed formula from
- 4 0.35 to 0.21;
- 5 ○ On Tab C.1, cell H23, changed the keyed formula from 0.35 to 0.21;
- 6 ○ On Tab E, cell E21 and G21, changed the keyed formula from 0.35
- 7 to 0.21; and
- 8 ○ On Tab H.1, cell C29, changed the keyed formula from 0.35 to 0.21.
- 9 • On Tab B.5 F, the Required Change in NOLC is computed as described
- 10 previously to ensure balance between the Tax Expense on Return and the
- 11 Total Required Changed in Accumulated Deferred Income Taxes. In this
- 12 instance, the “goal seek” solution in cell I73 is \$14,497,717.

13 **Q. WHAT IS THE RESULT OF UPDATING THE SETTLEMENT MODEL**

14 **FOR THE IMPACT OF TCJA?**

15 A. These steps create a revenue requirement model (Exhibit JTC-1) matching the

16 increase of \$500,000 set forth in the Settlement in Case No. 2015-00343 (See tab

17 A.1) at an FIT rate of 21%. Comparing the rate reduction produced by this model

18 compared to the settlement model shows a total rate reduction necessary of

19 \$4,584,138.

1 **Q. DOES THE OAG AGREE WITH THE METHODOLOGY USED TO**
2 **ESTIMATE THE INTERIM RATES?**

3 A. Counsel for the OAG have indicated that they agree with parts of the methodology,
4 but not all of it. In particular, OAG counsel noted that they don't agree with the
5 increase in the NOLC, and thus, the increase in rate base from the 2015 case.

6 **Q. WHY THEN DID THE PARTIES AGREE TO THE PROPOSED**
7 **SETTLEMENT?**

8 A. Both parties agree and understand that ultimately fair, just and reasonable *long term*
9 rates will be ordered by the Commission in Case No. 2017-00349. Both parties
10 agree that interim rate relief due to the changes following the TCJA should flow to
11 customers as timely as practical, with the understanding that any unresolved issues
12 can be properly litigated and decided by the Commission in the rate case. If
13 customers receive more or less benefit from the TCJA than the Commission wishes
14 and orders, the subsequent "true-up" of rates can be accomplished in an order in
15 this docket once the Company has achieved final determination of the excess
16 deferred tax liabilities resulting from the TCJA following its end-of-fiscal year
17 accounting in late October. Thus, the parties agree that an estimated interim relief
18 subject to subsequent "true-up" is better than postponing customers' benefits until
19 a final order in this case.

20 **Q. HAS THE COMPANY FILED ANY MORE MODELS IN THIS CASE?**

21 A. Yes. The Company also filed electronically, in both Case No. 2017-00349 and Case
22 No. 2018-00039, the Microsoft Excel file named "Rate Strike for FIT Expense."
23 This file demonstrates how the reduction of \$4,584,138 is spread uniformly to each

1 tariff rate component, producing a 5.6% reduction in base revenue (excluding pass-
2 through gas costs) for all customer classes.

3 **Q. PLEASE DESCRIBE THE INTERIM RATES FOR PRP AS SHOWN IN**
4 **EXHIBIT JTC-2?**

5 A. Exhibit JTC-2 compares the PRP rates that result from updating for the single
6 issue of federal income tax change to the current PRP rates being charged. In
7 order to provide this comparison of rates I utilized the Company's last rate PRP
8 model filed in Case No. 2017-00308 as a starting point.

9 **Q. PLEASE DESCRIBE THE PROCESS FOR DEVELOPING THE INTERIM**
10 **RATES FOR PRP.**

11 A. Similar to Exhibit JTC-1, Exhibit JTC-2 contains the last PRP model updated to
12 reflect the single issue of federal income tax change from 35 percent to 21
13 percent. This interim calculation results in a decrease in the PRP rate adjustment
14 of approximately \$1.0 million on an annual basis.

15 **Q. WHY DO YOU DESCRIBE THE EACH OF THESE CALCULATIONS AS**
16 **"INTERIM?"**

17 A. As mentioned in my direct testimony, and as noted in the Dec 27th Order in Case
18 No. 2017-00481 ("Dec 27th Order"), TCJA impact to rates cannot be determined
19 with precision at this time. The lack of precision is due in part to the interim
20 calculations excluding any amortization of excess deferred liabilities. While
21 Parties to this docket could continue investigating and getting to a more precise
22 answer, the final determination of the amount of net savings for the time period of
23 January 1 through the effective date of new base rates should not delay what can

1 be determined at this time. Rather the Parties agree that the majority of savings
2 are a result of changing the current rate from 35% to 21% and should be
3 implemented on an interim basis in order to flow these savings back to customers
4 as quickly as possible.

5 **Q. HOW WOULD THE INTERIM RATES BE REFLECTED ON**
6 **CUSTOMERS' BILLS?**

7 A. As I also mention in my direct testimony, the Company would propose that, rather
8 than appearing as a separate line item, the reduction would be applied to the base
9 rate and PRP charges on customers' bills, so that current customer bills would go
10 down while the interim rates are in place. Then those base rates would change
11 again to reflect the outcome of the rate case, which will include the savings from
12 the tax changes going forward. Since new base rates from Case No. 2017-00349
13 will be implemented in early May 2018, showing a line item on the customer bill
14 for only one or two months would likely create confusion.

15 **Q. EXPLAIN HOW THIS SETTLEMENT AGREEMENT IS REASONABLE**
16 **AND IN THE PUBLIC INTEREST?**

17 A. The Settlement Agreement allows the Company to begin to adjust Customer's bills
18 as promptly as possible to address the tax expense effects of the TCJA for the
19 Company's cost of service. The Company and the OAG agree that methodologies
20 or precedent are not established in the Settlement Agreement and are still subject to
21 review in the Company's rate case docket. For this interim rate adjustment
22 proposed in the Settlement Agreement the Company and the Office of the Attorney

1 General support prompt implementation of the reduced rates, and both believe the
2 Commission is supportive of that objective.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 A. Yes.

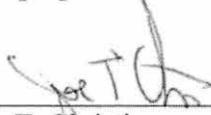
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

ELECTRONIC INVESTIGATION OF THE IMPACT)
OF THE TAX CUTS AND JOB ACT ON THE) CASE NO. 2018-00039
RATES OF ATMOS ENERGY CORPORATION)

CERTIFICATE AND AFFIDAVIT

The Affiant, Joe T. Christian, being duly sworn, deposes and states that the prepared testimony attached hereto and made a part hereof, constitutes the prepared rebuttal testimony of this affiant in Case No. 2018-00039, in the Matter of the Rate Application of Atmos Energy Corporation, and that if asked the questions propounded therein, this affiant would make the answers set forth in the attached prepared rebuttal testimony.



Joe T. Christian

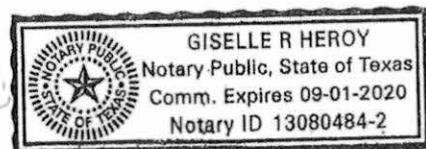
STATE OF Texas
COUNTY OF Dallas

SUBSCRIBED AND SWORN to before me by Joe T. Christian on this the 26th day of February, 2018.



Notary Public

My Commission Expires: 9/01/2020



FOR ENTIRE SERVICE AREA

P.S.C. KY NO. 2

TWENTIETH REVISED SHEET NO. 4

CANCELLING

NINETEENTH REVISED SHEET NO. 4

ATMOS ENERGY CORPORATION
NAME OF UTILITY

Current Rate Summary

Case No. 2018-00039

Firm Service

Base Charge:

Residential (G-1)	-	\$16.52	per meter per month	(R)
Non-Residential (G-1)	-	42.01	per meter per month	(R)
Transportation (T-4)	-	354.06	per delivery point per month	(R)
Transportation Administration Fee	-	50.00	per customer per meter	

Rate per Mcf²

			<u>Sales (G-1)</u>		<u>Transportation (T-4)</u>	
First	300	¹ Mcf	@ 6.7097	per Mcf	@ 1.4483	per Mcf (R, R)
Next	14,700	¹ Mcf	@ 6.1583	per Mcf	@ 0.8969	per Mcf (R, R)
Over	15,000	Mcf	@ 5.9601	per Mcf	@ 0.6987	per Mcf (R, R)

Interruptible Service

Base Charge	-	\$354.06	per delivery point per month	(R)
Transportation Administration Fee	-	50.00	per customer per meter	

Rate per Mcf²

			<u>Sales (G-2)</u>		<u>Transportation (T-3)</u>	
First	15,000	¹ Mcf	@ 4.7557	per Mcf	@ 0.8025	per Mcf (R, R)
Over	15,000	Mcf	@ 4.5937	per Mcf	@ 0.6405	per Mcf (-, -)

¹ All gas consumed by the customer (sales, transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

² DSM, PRP and R&D Riders may also apply, where applicable.

DATE OF ISSUE February 23, 2018
MONTH / DATE / YEAR

DATE EFFECTIVE March 1, 2018
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO 2018-00039 DATED _____

FOR ENTIRE SERVICE AREA

P.S.C. KY NO. 2

TWENTIETH REVISED SHEET NO. 6

ATMOS ENERGY CORPORATION

NAME OF UTILITY

CANCELLING

NINETEENTH REVISED SHEET NO. 6

Current Transportation

Case No. 2018-00039

The Transportation Rates (T-3 and T-4) for each respective service net monthly rate is as follows:

System Lost and Unaccounted gas percentage: 1.61%

				<u>Simple Margin</u>			<u>Non- Commodity</u>			<u>Gross Margin</u>	
<u>Transportation Service</u>¹											
<u>Firm Service (T-4)</u>											
First	300	Mcf	@	\$1.4483	+	\$0.0000	=	\$1.4483	per Mcf		(R)
Next	14,700	Mcf	@	0.8969	+	0.0000	=	0.8969	per Mcf		(R)
All over	15,000	Mcf	@	0.6987	+	0.0000	=	0.6987	per Mcf		(R)
<u>Interruptible Service (T-3)</u>											
First	15,000	Mcf	@	\$0.8025	+	\$0.0000	=	\$0.8025	per Mcf		(R)
All over	15,000	Mcf	@	0.6405	+	0.0000	=	0.6405	per Mcf		(-)

¹ Excludes standby sales service.

DATE OF ISSUE February 23, 2018
MONTH / DATE / YEAR

DATE EFFECTIVE March 1, 2018
MONTH / DATE / YEAR

ISSUED BY /s/ Mark A. Martin
SIGNATURE OF OFFICER

TITLE Vice President – Rates & Regulatory Affairs

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO 2018-00039 DATED _____

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Second Revised SHEET No. 8

Cancelling

First Revised SHEET No. 8

ATMOS ENERGY CORPORATION

(NAME OF UTILITY)

General Firm Sales Service

Rate G-1

1. Applicable

Entire Service Area of The Company.

2. Availability of Service

Available for any use for individually metered service, other than auxiliary or standby service (except for hospitals or other uses of natural gas in facilities requiring emergency power, however, the rated input to such emergency power generators is not to exceed the rated input of all other gas burning equipment otherwise connected multiplied by a factor equal to 0.15) at locations where suitable service is available from the existing distribution system and an adequate supply of gas to reader service is assured by the supplier(s) of natural gas to the Company.

3. Net Monthly Rate

a) Base Charge

\$16.52 per meter for residential service

\$42.01 per meter for non-residential service

(R)

(R)

b) Distribution Charge

First¹ 300 Mcf @ \$1.4483 per 1,000 cubic feet

Next¹ 14,700 Mcf @ 0.8969 per 1,000 cubic feet

Over 15,000 Mcf @ 0.6987 per 1,000 cubic feet

(R)

(R)

(R)

c) Weather Normalization Adjustment.

d) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15.

e) Demand Side Management Cost Recovery Mechanism (DSM), referenced on Sheet No. 36.

f) Research & Development Rider (R&D), referenced on Sheet No. 37.

g) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.

¹ All gas consumed by the customer (Sales and Transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

DATE OF ISSUE February 23, 2018
Month/Date/Year

DATE EFFECTIVE March 1, 2018
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in
Case No. 2018-00039

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Second Revised SHEET No. 11

Cancelling

First Revised SHEET No. 11

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

Interruptible Sales Service

Rate G-2

d) Revision of Delivery Volumes

The Daily Contract Demand for High Priority service and the Daily Contract Demand for Interruptible service shall be subject to revision as necessary so as to coincide with the customer's normal operating conditions and actual load with consideration given to any anticipated changes in customer's utilization, subject to the Company's contractual obligations with other customers or its suppliers, and subject to system capacity and availability of the gas if an increased volume is involved.

4. Net Monthly Rate

- a) Base Charge: \$354.06 per delivery point per month (R)
- Minimum Charge: The Base Charge plus any Transportation Fee and EFM facilities charge and any Pipe Replacement Rider.

- b) Distribution Charge

High Priority Service

The volume of gas used each day up to, but not exceeding the effective High Priority Daily Contract Demand shall be totaled for the month and billed at the "General Firm Sales Service Rate G-1".

Interruptible Service

Gas used per month in excess of the High Priority Service shall be billed as follows:

- First¹ 15,000 Mcf \$0.8025 per 1,000 cubic feet (R)
- Over 15,000 Mcf 0.6405 per 1,000 cubic feet

- c) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 15
- d) Research & Development Rider (R&D), referenced on Sheet No. 37.
- e) Pipe Replacement Program (PRP) Rider, referenced on Sheet No. 39.

¹ All gas consumed by the customer (Sales and Transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

DATE OF ISSUE February 23, 2018
Month/Date/Year

DATE EFFECTIVE March 1, 2018
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in
Case No. 2018-00039

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Sixth Revised SHEET No. 39

Cancelling

Fifth Revised SHEET No. 39

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

Pipeline Replacement Program Rider

4. Pipe Replacement Rider Rates

The charges for the respective gas service schedules for the revenue month beginning March 1, 2018 per billing period are:

(T)

	<u>Monthly Customer Charge</u>		<u>Distribution Charge per Mcf</u>	
Rate G-1 (Residential)	\$2.97		\$0.00	(R,-)
Rate G-1 (Non-Residential)	\$9.97		\$0.00	(R,-)
Rate G-2	\$42.43	1-15,000	\$0.0746 per 1000 cubic feet	(R,R)
		Over 15,000	\$0.0562 per 1000 cubic feet	(R)
Rate T-3	\$41.31	1-15,000	\$0.0978 per 1000 cubic feet	(R,R)
		Over 15,000	\$0.0737 per 1000 cubic feet	(R,R)
Rate T-4	\$42.37	1-300	\$0.1848 per 1000 cubic feet	(R,R)
		301-15,000	\$0.1144 per 1000 cubic feet	(R)
		Over 15,000	\$0.0891 per 1000 cubic feet	(R)

DATE OF ISSUE February 23, 2018
Month/Date/Year

DATE EFFECTIVE March 1, 2018
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in
Case No. 2018-00039.

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Second Revised SHEET No. 45

Cancelling

First Revised SHEET No. 45

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

Interruptible Transportation Service

Rate T-3

1. Applicable

Entire service area of the Company to any customer for that portion of the customer's interruptible requirements not included under one of the Company's sales tariffs.

2. Availability of Service

- a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require interruptible transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.
- b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.

3. Net Monthly Rate

In addition to any and all charges assessed by other parties, there will be applied:

- a) Base Charge - \$354.06 per delivery point (R)
- b) Transportation Administration Fee- 50.00 per customer per month (R)
- c) Distribution Charge for Interruptible Service

First ¹	15,000	Mcf	@	\$0.8025	per Mcf	(R)
Over	15,000	Mcf	@	0.6405	per Mcf	
- d) Applicable Non-Commodity Components (Sheet No. 6) as calculated in the Company's Gas Cost Adjustment (GCA) filing.
- e) Electronic Flow Measurement ("EFM") facilities charge, if applicable.
- f) Pipe Replacement Program (PRP) Rider.

¹All gas consumed by the customer (Sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

DATE OF ISSUE February 23, 2018
Month/Date/Year

DATE EFFECTIVE March 1, 2018
Month/Date/Year

Issued by Authority of an Order of the Public Service Commission in
Case No. 2018-00039

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

FOR ENTIRE SERVICE AREA

PSC KY. No. 2

Second Revised SHEET No. 52

Cancelling

First Revised SHEET No. 52

ATMOS ENERGY CORPORATION
(NAME OF UTILITY)

Firm Transportation Service

Rate T-4

1. Applicable

Entire Service Area of the Company to any customer for that portion of the customer's firm requirements not included under one of the Company's sales tariffs.

2. Availability of Service

- a) Available to any customer with an expected demand of at least 9,000 Mcf per year, on an individual service at the same premise, who has purchased its own supply of natural gas and require firm transportation service by the Company to customer's facilities subject to suitable service being available from existing facilities.
- b) The Company may decline to initiate service to a customer under this tariff or to allow a customer receiving service under this tariff to elect any other service provided by the Company, if in the Company's sole judgment, the performance of such service would be contrary to good operating practice or would have a detrimental impact on other customers serviced by the Company.

3. Net Monthly Rate

In addition to any and all charges assessed by other parties, there will be applied:

- a) Base Charge - \$354.06 per delivery point (R)
- b) Transportation Administration Fee - 50.00 per customer per month
- c) Distribution Charge for Firm Service
 - First¹ 300 Mcf @ \$1.4483 per Mcf (R)
 - Next¹ 14,700 Mcf @ 0.8969 per Mcf (R)
 - Over 15,000 Mcf @ 0.6987 per Mcf (R)
- d) Applicable Non-Commodity Components as calculated in the Company's Gas Cost Adjustment (GCA) filing.
- e) Electronic Flow Measurement ("EFM") facilities charges, if applicable.
- f) Pipe Replacement Program (PRP) Ride.

¹ All gas consumed by the customer (sales and transportation; firm and interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

DATE OF ISSUE February 23, 2018
Month/Date/Year

DATE EFFECTIVE March 1, 2018
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Issued by Authority of an Order of the Public Service Commission in
Case No. 2018-00039

ISSUED BY /s/ Mark A. Martin
Signature of Officer

TITLE Vice President – Rates and Regulatory Affairs

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC INVESTIGATION OF THE IMPACT)
OF THE TAX CUTS AND JOB ACT ON THE) CASE NO. 2018-00039
RATES OF ATMOS ENERGY CORPORATION)**

SETTLEMENT

This Settlement is entered into this 27th day of February, 2018 by and between Atmos Energy Corporation and Andy Beshear, Attorney General, through his Office of Rate Intervention (“OAG”) (collectively, “the Parties”). There are no other intervenors.

WITNESSETH:

WHEREAS, on December 22, 2017, federal legislation known as the Tax Cuts and Jobs Act (“TCJA”) was signed into law and took effect;

WHEREAS, on January 30, 2018, the Public Service Commission (“Commission”) issued an order initiating an investigation into the impact of the TCJA on Atmos Energy’s rates;

WHEREAS, Atmos Energy’s customers rates reflect estimated revenues for income tax expense of approximately \$5.6 million above what is required as a result of TCJA (base rates and pipeline replacement program (“PRP”) rates), excluding the effects of amortizing excess accumulated deferred income taxes (“ADIT”);

WHEREAS, the Commission has granted full intervention in this case to the OAG;

WHEREAS, an informal conference discussing the issues in this case and the possibility of settlement, attended by representatives of the Parties and the Commission Staff, took place on February

9, at the offices of the Commission, during which several procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in this case;

WHEREAS, the Parties seek to implement as quickly as possible an interim reduction in Atmos Energy's rates due to partial implementation of the impacts of the TCJA;

WHEREAS, certain issues as to the calculation of, and the methodology to be used to calculate, the amount of rate adjustment due to the TCJA remain unresolved, and the Parties have agreed that those issues will be deferred to, and determined by the Commission in Atmos Energy's pending general rate case, Case No. 2017-00349. Nothing agreed to in this Settlement limits either party's ability to raise any issue or any ratemaking principle or methodology in that case;

WHEREAS, because Atmos Energy will not complete its fiscal year until September 30, 2018, and the final determination of the excess deferred tax liabilities resulting from the TCJA cannot be fully determined until end-of-fiscal year accounting is completed in late October, this case shall remain open for the purpose of final resolution of 1) incorporating the full impact of excess deferred tax liabilities; 2) the calculation of the refunds to the period of January 1, 2018 – February 28, 2018 (based on a March 1, 2018 interim rate implementation for services rendered); and 3) the impact, if any, of Commission's finding of the correct methodology for calculation of the interim rates in the pending Atmos Energy rate case, Case No. 2017-00349;

WHEREAS, it is understood by the Parties that this Settlement is subject to the approval of the Commission, and does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any adjustments to Atmos Energy's rates, terms, or conditions;

WHEREAS, the Parties agree that this Settlement, is a fair, just, and reasonable resolution of all the issues in the case; and

WHEREAS, sufficient evidence in the record support this Settlement, and provided an adequate record for the Commission to approve it;

NOW, THEREFORE, for and in consideration of the terms and condition of the Settlement, the Parties agree:

Beginning March 1, or a date determined by the Commission, Atmos Energy will lower its base rates and PRP rates to reflect the benefits of the TCJA using the agreed upon estimation of revenues for the excess income tax expense resulting from the TCJA. The rates agreed upon are included in the direct testimony of Mr. Joe Christian as Exhibit JTC-1 and Exhibit JTC-2. Proposed tariff updates are included as Exhibit JTC-S-1 in Mr. Christian's testimony supporting this Settlement.

The statements and positions of the Parties shall not be deemed to constitute admissions by either of the Parties that any computation, formula, allegation, assertion, or contention made by any other party is acceptable to or binding on either in any other proceeding.

The Parties agree that the settlement represents a fair, just, and reasonable interim resolution of the issues and request the Commission to approve the Settlement. If the Commission issues an order adopting this Settlement in its entirety and without additional conditions, each of the Parties agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court.

If the Commission does not accept and approve this settlement in its entirety, either Party may withdraw from it within five (5) business days after the issuance of the final order. Upon that occurrence, this settlement shall become void without any further action by either party and neither of the Parties will be bound by it.

The Settlement constitutes the complete agreement and understanding among the Parties, and any oral statements, representations, or agreements made prior to or contemporaneously with shall be null and void and shall be deemed to have been merged into the settlement.

The Parties agree that the terms of the Settlement are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues and are the product of compromise and negotiation.

IN WITNESS WHEREOF, the Parties have affixed their signature.

Atmos Energy Corporation

By: John R. Hughes
Date: 2/27/18

Attorney General for the Commonwealth of Kentucky,
by and through the Office of Rate Intervention

By: [Signature]
Date: 2-27-2018

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND)	
POWER COMPANY D/B/A DUKE ENERGY)	CASE NO.
KENTUCKY FOR AN ADJUSTMENT OF)	2006-00172
ELECTRIC RATES)	

O R D E R

The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc. ("Duke Kentucky"), a wholly owned subsidiary of The Cincinnati Gas and Electric Company d/b/a Duke Energy Ohio, Inc. ("Duke Ohio"),¹ is an electric and gas utility that generates, transmits, distributes, and sells electricity to approximately 131,973 customers² in all or portions of five counties in northern Kentucky.³

BACKGROUND

On April 27, 2006, Duke Kentucky filed a notice of its intent to file an application for approval of an increase in its electric rates, utilizing a forward-looking test period ending December 31, 2007. On May 31, 2006, Duke Kentucky tendered for filing its

¹ Duke Kentucky is a Kentucky corporation and the primary utility subsidiary of Duke Ohio. Duke Ohio is an Ohio corporation and a public utility subsidiary of Cinergy Corp. ("Cinergy"), a public utility holding company that was created in October 1994. Effective April 3, 2006, Cinergy consummated a merger with Duke Energy Corporation.

² Duke Kentucky had 131,973 retail electric customers and 92,720 retail gas customers as of August 31, 2006; See Duke Kentucky's Filing of Actual Results for Estimated Months of Base Period, filed October 16, 2006, WPB-5.1f.

³ The five counties are Boone, Campbell, Grant, Kenton, and Pendleton. Duke Kentucky purchases, sells, stores, and transports natural gas in Boone, Campbell, Gallatin, Grant, Kenton, and Pendleton counties in Kentucky.

application seeking an increase in electric revenues of \$66,560,174, an increase of 27.8 percent. Duke Kentucky's application included new rates to be effective July 1, 2006 and proposals to revise, add, and delete several tariffs applicable to its electric service.

A review of the application revealed that it did not meet the minimum filing requirements set forth in 807 KAR 5:001, Section 10, and a notice of the filing deficiencies was issued. Duke Kentucky subsequently tendered an amended application on June 16, 2006 to cure the filing deficiencies. The Commission's June 27, 2006 Order determined that the amended application satisfied the minimum filing requirements as of June 16, 2006, and that, based on a showing of good cause, the earliest date that Duke Kentucky's proposed rates could be effective was July 6, 2006. That Order also found that an investigation would be necessary to determine the reasonableness of Duke Kentucky's request and the proposed rates were suspended for 6 months from their effective date, pursuant to KRS 278.190(2), up to and including January 5, 2007.

Duke Kentucky's last increase in electric rates was authorized in May 5, 1992 in Case No. 1991-00370.⁴

The following parties requested and were granted full intervention: the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), The Kroger Company ("Kroger"), and the St. Elizabeth Medical Center ("St. Elizabeth").

⁴ Case No. 1991-00370, Application of The Union Light, Heat and Power Company to Adjust Electric Rates.

On June 27, 2006, the Commission issued a procedural schedule to investigate Duke Kentucky's rate application. The schedule provided for discovery, intervenor testimony, rebuttal testimony by Duke Kentucky, a public hearing, and an opportunity for the parties to file post-hearing briefs.

On October 25, 2006, Duke Kentucky, the AG, Kroger, and St. Elizabeth entered into a unanimous Settlement Agreement, which addressed and resolved all issues pending in the rate case. The Settlement Agreement was filed with the Commission on October 26, 2006. At the October 30, 2006 public hearing the parties presented testimony in support of the reasonableness of the Settlement Agreement. Duke Kentucky filed responses to hearing data requests on November 7, 2006 and the case now stands submitted for a decision.

SETTLEMENT AGREEMENT

The Settlement Agreement, attached as Appendix B to this Order, reflects a unanimous resolution of all issues raised in this case. The major provisions of the Settlement Agreement are as follows:

- Effective for service rendered on and after January 1, 2007, Duke Kentucky's annual revenues should be increased \$49,000,000.
- The \$49,000,000 increase includes \$20,040,364 for fuel. Duke Kentucky's fuel adjustment clause ("FAC") will be reset to \$0.00 per kWh and the base period fuel rate will be reset to \$0.021619 per kWh.
- Within 10 days of the Commission Order on the Settlement Agreement, Duke Kentucky will file new tariffs effective for service rendered on and after January 1, 2007. The new tariffs will include rates designed to generate the additional \$49,000,000 in revenues, using the revenue allocation reflected in Attachment 1 of the Settlement Agreement, and reflect other tariff changes addressed in the Settlement Agreement.

- Effective on and after January 1, 2007, Duke Kentucky will implement the depreciation rates reflected in Attachment 2 of the Settlement Agreement. Duke Kentucky will conduct a new depreciation study for its electric plant and will file the new study with the Commission by the earlier of the filing of an application to increase retail electric base rates or January 1, 2014. The rates contained in the new study will not impact Duke Kentucky's retail electric base rates unless submitted with the filing of an application for new retail electric base rates and approved by the Commission.
- Duke Kentucky will continue to use its best efforts to procure back-up power supply and obtain Federal Energy Regulatory Commission approval, if necessary, as soon as possible. The \$49,000,000 increase in revenues will recover all demand charges for back-up power, while energy charges for back-up power will be recovered consistent with the Commission's FAC regulations. Duke Kentucky shall file, and request Commission approval of, a least-cost back-up supply plan no later than its March 2007 FAC filing.
- Duke Kentucky will write-off expenses it deferred relating to its 1992 Voluntary Employee Retirement Program.
- Duke Kentucky will amortize for financial accounting purposes over a 3-year period the rate case expense for this proceeding and the transaction costs approved for recovery in Case No. 2003-00252.⁵ The transaction costs will not exceed \$1,490,000.
- Duke Kentucky will credit through its FAC make-whole revenues received from the Midwest Independent System Operators, Inc. ("MISO"), as well as corresponding expenses, which relate to Duke Kentucky's dispatching of its generating units out-of-merit at MISO's request.
- Duke Kentucky will not file an application to implement an environmental surcharge mechanism prior to January 1, 2009.
- Rider PSM – Off-System Sales Profit Sharing Mechanism will remain in effect until modified in a future proceeding and will continue to be allocated based on kWh sales. The first \$1,000,000 in net margins from off-system power sales will be flowed 100 percent to customers,

⁵ Case No. 2003-00252, The Application of The Union Light, Heat and Power Company for a Certificate of Public Convenience to Acquire Certain Generation Resources and Related Property; for Approval of Certain Purchase Power Agreements; for Approval of Certain Accounting Treatment; and for Approval of Deviation from Requirements of KRS 278.2207 and 278.2213(6).

with all net margins above \$1,000,000 shared 50 percent to customers and 50 percent to Duke Kentucky. In addition, all margins relating to the net sales of emission allowances will be flowed to customers through Rider PSM. The margins from net sales of emission allowances will not count toward the first \$1,000,000 in off-system sales and will not be subject to the 50/50 sharing provisions of Rider PSM.

- The rates for Rate DT – Time-of-Day Rate for Service at Distribution Voltage will be as reflected in Attachment 4 of the Settlement Agreement. Attachment 4 provides for a one-year pilot program for customers served under Rate DT that have load factors of 45 percent or lower. Under the pilot program, the demand charge on peak kW rates are lower and the energy charges are higher than the regular Rate DT. The pilot program will remain in effect until December 31, 2007 and Duke Kentucky may apply to continue the pilot beyond this date, subject to Commission approval.
- Duke Kentucky will withdraw its proposed Rider TCRM – Transaction Cost Recovery Mechanism and withdraw its proposed changes to Rider GP – Green Power.
- Duke Kentucky will use avoided cost pricing for its PowerShare® program, which will now be incorporated into the demand side management program, and amend its application in Case No. 2006-00426⁶ to recover as part of its non-residential demand-side management rates any resulting incremental costs.
- The proposed changes to numerous lighting tariffs will be modified to reflect Duke Kentucky's responses to the Commission Staff's Second Data Request dated July 12, 2006, Item 35 and the Commission Staff's Third Data Request dated August 9, 2006, Item 24.
- The proposed changes to Paragraph F of the reconnection tariff will be modified to reflect that: (1) a notice for same day reinstatement of service and reconnection must be received by Duke Kentucky by 2:30 p.m.; (2) the after-hours reconnection at the meter charge will be \$25 and the after-hours reconnection at the pole charge will be \$65; and (3) customers requesting same day reconnection will be notified at the time of request of the after-hours charge if the reconnection cannot be performed during normal hours. The proposed changes to Paragraph

⁶ Case No. 2006-00426, The Annual Cost Recovery Filing for Demand Side Management by The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky.

G of the reconnection tariff will be modified to state that a collection charge of \$15 will only be collected if a company employee actually makes a field visit to the customer's premises.

ANALYSIS OF THE SETTLEMENT AGREEMENT

Duke Kentucky proposed an annual increase in its electric revenues of \$66,560,174, an annual increase of 27.8 percent. The AG proposed an annual increase in Duke Kentucky's electric revenues of \$21,081,675,⁷ while Kroger and St. Elizabeth did not propose a specific amount for an annual increase in total electric revenues. The Settlement Agreement contains the parties' unanimous recommendation that an annual increase in electric revenues of \$49,000,000 is reasonable.⁸

Based upon a review of each provision in the Settlement Agreement, an examination of the record, and being otherwise sufficiently advised, the Commission finds that the provisions of the Settlement Agreement are in the public interest and should be approved. The Commission's approval of the provisions of the Settlement Agreement is based solely on their reasonableness in toto and does not constitute precedent on any issue. Allowing the new rates to be effective on and after January 1, 2007 is reasonable considering Duke Kentucky's use of a monthly billing cycle.

The Settlement Agreement also contains requests that the Commission issue rulings on certain matters, which are discussed below.

Advanced Metering Infrastructure ("AMI") Program

Duke Kentucky plans to deploy over a 3-year period an AMI program based on Power Line Communications technology. AMI has the objectives to measure energy in

⁷ Henkes Direct Testimony, Schedule RJH-1.

⁸ Settlement Agreement at 7.

real-time or other time-measured increments, record voltage and reactive measurements, accept commands such as turning on service or polling for data for outage confirmation, and provide a centralized system to validate, edit and estimate the data. Duke Kentucky plans to install 40,500 electric meters during 2007. The estimated electric capital investment in AMI for Duke Kentucky is \$14,000,000.⁹

The Settlement Agreement provides that the agreed revenue increase includes recovery of costs and reflects net savings relating to Duke Kentucky's implementation of AMI for its electric operations. Duke Kentucky requests that the final Order on the Settlement Agreement include approval of the AMI program and that the Commission issue a Certificate of Public Convenience and Necessity ("CPCN") for the AMI program if the Commission determines a CPCN is required.

The Commission has reviewed the information Duke Kentucky provided in testimony and data responses concerning the AMI program in general and the analysis of costs and benefits in particular. Based on the projected benefits, as well as a comparison of Duke Kentucky's total investment in utility plant, the estimated capital investment does not represent a significant investment. Therefore, the Commission finds that Duke Kentucky does not need a CPCN for this AMI program.

Confirmation of Accounting and Rate-Making Treatments

In the December 5, 2003 Order in Case No. 2003-00252, the Commission indicated that it knew of no reason why certain accounting and rate-making treatments detailed in that proceeding could not be used for future rate-making purposes. The

⁹ Stanley Direct Testimony at 16 and 19 and Attachment JLS-2, page 1 of 3. Duke Kentucky also plans to install 28,100 gas meters during 2007 at an estimated gas capital investment of \$10,000,000.

parties to the Settlement Agreement request that the Commission confirm in this proceeding the accounting and rate-making treatments conditionally approved in Case No. 2003-00252, subject to the change in the amortization period to 3 years and \$1,490,000 limit on transaction costs.

The referenced accounting and rate-making treatments generally reflect the approaches the Commission has followed in previous rate cases. The Commission finds that the accounting and rate-making treatments conditionally approved in Case No. 2003-00252 are reasonable and should be confirmed, subject to the revisions in the Settlement Agreement concerning the transaction costs.

OTHER ISSUES

Rate Design

On November 7, 2006, Duke Kentucky filed its proof of revenues showing the allocation of the \$49,000,000 revenue increase among the various rate classes and schedules. The proof of revenues also included the rates for each class and schedule necessary to generate the required revenues.¹⁰ Neither the AG, Kroger, nor St. Elizabeth have expressed an opinion on the rates contained in the proof of revenues. The Commission has reviewed these rates and finds them reasonable based on the terms of the Settlement Agreement. The rates contained in the proof of revenues are attached to this Order as Appendix A and those rates should be approved.

Electric Weather Normalization

Duke Kentucky's forward-looking test period was based upon weather normalized data. While weather normalized data is commonly used in natural gas base

¹⁰ Proof of Revenues filed November 7, 2006, Schedules M-2.1 and M-2.2.

rate cases, the Commission has never approved the use of weather normalized data in an electric base rate case.¹¹ Duke Kentucky previously proposed a weather normalization adjustment in its last electric base rate case and the Commission rejected that adjustment. In the current proceeding, Duke Kentucky stated that the basic structure of the models and methodology used for the forward-looking test period were the same as used in Case No. 1991-00370.¹² The Settlement Agreement does not specifically address the subject of electric weather normalization, but the billing determinants contained in the proof of revenues do reflect 25-year weather normalized data.

While the Commission is approving the Settlement Agreement and accepting the rates calculated in the proof of revenues, these actions do not constitute Commission acceptance, approval, or endorsement of Duke Kentucky's weather normalization methodology, models, or assumptions. The Commission is accepting as reasonable a unanimous Settlement Agreement without making any findings or establishing any precedents on the issue of electric weather normalization.

¹¹ Case No. 1991-00370, May 5, 1992 Order at 11-14; Case No. 10064, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company, final Order dated July 1, 1988, at 35-45; Case No. 8924, General Adjustment in Electric and Gas Rates of Louisville Gas and Electric Company, final Order dated May 16, 1984, at 10-11; Case No. 8616, General Adjustment in Electric and Gas Rates of Louisville Gas and Electric Company, final Order dated March 2, 1983, at 12-16; and Case No. 8284, General Adjustment in Electric and Gas Rates of Louisville Gas and Electric Company, final Order dated January 4, 1982, at 7-9.

¹² Response to the Commission Staff's Second Data Request dated July 12, 2006, Item 50.

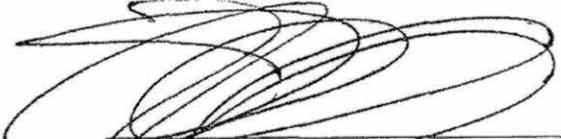
IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Duke Kentucky in its application are denied.
2. The Settlement Agreement, attached hereto as Appendix B, is approved in its entirety.
3. The rates and charges set forth in Appendix A hereto, are the fair, just, and reasonable rates for Duke Kentucky to charge for electric service, and these rates are approved for service rendered on and after January 1, 2007.

Done at Frankfort, Kentucky, this 21st day of December, 2006..

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00172 DATED December 21, 2006.

The following rates and charges are prescribed for the customers in the area served by Duke Energy Kentucky. All other rates and charges not specifically mentioned in this Order shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATE RS
RESIDENTIAL SERVICE

Customer Charge per month	\$ 4.50
Energy Charge:	
All kWh per kWh	\$.073238

RATE DS
SERVICE AT SECONDARY DISTRIBUTION VOLTAGE

Customer Charge:	
Single Phase Service per month	\$ 7.50
Three Phase Service per month	\$ 15.00
Load Management Rider	\$ 100.00
Demand Charge:	
First 15 kilowatts per kW	\$ 0.00
Additional kilowatts per kW	\$ 7.75
Energy Charge:	
First 6,000 kWh per kWh	\$.079427
Next 300 kWh/kW per kWh	\$.047901
Additional kWh per kWh	\$.038825
Non-Church "Cap" Rate	\$.229043
Church "Cap" Rate	\$.135924

RATE DT-PRI
TIME-OF-DAY RATE PRIMARY

Customer Charge:	
Single Phase Service per month	\$ 7.50
Three Phase Service per month	\$ 15.00
Primary Voltage Service per month	\$ 100.00

Demand Charge:			
Summer			
	On-Peak kW per kW	\$	12.75
	Off-Peak kW per kW	\$	1.15
Winter			
	On-Peak kW per kW	\$	12.07
	Off-Peak kW per kW	\$	1.15
Primary Service Dis.			
	First 1,000 kW per kW	\$	(.65)
	Additional kW per kW	\$	(.50)
Energy Charge:			
Summer			
	On-Peak kWh per kWh	\$	.041977
	Off-Peak kWh per kWh	\$	.033977
Winter			
	On-Peak kWh per kWh	\$	.039977
	Off-Peak kWh per kWh	\$	.033977

RATE DT-SEC
TIME-OF-DAY RATE SECONDARY

Customer Charge:			
	Single Phase Service per month	\$	7.50
	Three Phase Service per month	\$	15.00
	Primary Voltage Service per month	\$	100.00
Demand Charge:			
Summer			
	On-Peak kW per kW	\$	12.75
	Off-Peak kW per kW	\$	1.15
Winter			
	On-Peak kW per kW	\$	12.07
	Off-Peak kW per kW	\$	1.15
Primary Service Dis.			
	First 1,000 kW per kW	\$	(.65)
	Additional kW per kW	\$	(.50)
Energy Charge:			
Summer			
	On-Peak kWh per kWh	\$	.041977
	Off-Peak kWh per kWh	\$	.033977
Winter			
	On-Peak kWh per kWh	\$	.039977
	Off-Peak kWh per kWh	\$	.033977

RATE EH
OPTIONAL RATE FOR ELECTRIC SPACE HEATING

Customer Charge (Winter Period):		
Single Phase Service per month	\$	7.50
Three Phase Service per month	\$	15.00
Primary Voltage Service per month	\$	100.00
Energy Charge:		
All kWh per kWh	\$	.059306

RATE SP
SPORTS SERVICE

Customer Charge per month:	\$	7.50
Energy Charge per kWh:	\$	.098380

RATE GSFL
GENERAL SERVICE RATE FOR SMALL FIXED LOADS

Minimum Bill:	\$	3.00
Energy Charge:		
Load Range 540 to 720 hours per kWh	\$	.078505
Load Range less than 540 hours per kWh	\$	.090729

RATE DP
SERVICE AT PRIMARY DISTRIBUTION VOLTAGE

Customer Charge:		
Load Management Rider	\$	100.00
Primary Voltage	\$	100.00
Demand Charge:		
All kW per kW	\$	7.08
Energy Charge:		
First 300 kWh/kW	\$	.048850
Additional kWh per kWh	\$	.040980

RATE TT
TIME-OF-DAY RATE FOR SERVICE AT TRANSMISSION VOLTAGE

Customer Charge per month:	\$	500.00
Demand Charge:		
Summer		
On-Peak kW per kW	\$	7.60
Off-Peak kW per kW	\$	1.15

Winter		
On-Peak kW per kW	\$	6.24
Off-Peak kW per kW	\$	1.15
Energy Charge:		
All kWh per kWh	\$	.040430

RATE DT RTP
TIME-OF-DAY SERVICE AT PRIMARY DISTRIBUTION VOLTAGE

Customer Charge:	\$	183.00
Energy Charge:		
All kWh per kWh	\$	.005540
Ancillary Services per kWh	\$	.000740
Commodity Charges per kWh	\$	.050457

RATE DT RTP
TIME-OF-DAY SERVICE AT SECONDARY DISTRIBUTION VOLTAGE

Customer Charge:	\$	183.00
Energy Charge:		
All kWh per kWh	\$	.006053
Ancillary Services per kWh	\$	.000760
Commodity Charges per kWh	\$	.053219

RATE DS RTP
TIME-OF-DAY SERVICE AT SECONDARY DISTRIBUTION VOLTAGE

Customer Charge:	\$	183.00
Energy Charge:		
All kWh per kWh	\$	.006053
Ancillary Services per kWh	\$	.000760
Commodity Charges per kWh	\$	.075384

RATE DS RTP
TIME-OF-DAY SERVICE AT SECONDARY DISTRIBUTION VOLTAGE

Customer Charge:	\$	183.00
Energy Charge:		
All kWh per kWh	\$	.006053
Ancillary Services per kWh	\$	.000760
Commodity Charges per kWh	\$	.075384

RATE TT RTP
TIME-OF-DAY SERVICE AT TRANSMISSION VOLTAGE

Customer Charge:	\$ 183.00
Energy Charge:	
All kWh per kWh	\$.002008
Ancillary Services per kWh	\$.000721
Commodity Charges per kWh	\$.049086

RATE SL
STREET LIGHTING – CO-OWNED & MAINTAINED

Overhead Distribution:

Mercury Vapor	
7,000 Lumen (Open)	\$ 5.79
7,000 Lumen (Open) with 35' wood pole	\$ 10.19
7,000 Lumen	\$ 6.96
7,000 Lumen with 30' wood pole	\$ 11.30
7,000 Lumen with 35' wood pole	\$ 11.35
7,000 Lumen with 40' wood pole	\$ 12.23
7,000 Lumen with 28' alum pole heavy gauge	\$ 13.97
10,000 Lumen	\$ 8.00
10,000 Lumen with 35' wood pole	\$ 12.39
21,000 Lumen	\$ 10.66
21,000 Lumen with 35' wood pole	\$ 15.05
Metal Halide	
14,000 Lumen	\$ 6.96
20,500 Lumen	\$ 8.00
36,000 Lumen	\$ 10.66
Sodium Vapor	
9,500 Lumen (Open)	\$ 5.82
9,500 Lumen	\$ 7.78
9,500 Lumen with 30' wood pole	\$ 12.12
9,500 Lumen with 35' wood pole	\$ 12.18
9,500 Lumen with 40' wood pole	\$ 13.05
16,000 Lumen	\$ 8.45
16,000 Lumen with 35' wood pole	\$ 12.87
22,000 Lumen	\$ 10.95
22,000 Lumen with 30' wood pole	\$ 15.29
22,000 Lumen with 35' wood pole	\$ 15.34
22,000 Lumen with 40' wood pole	\$ 16.22
22,000 Lumen with 28' alum pole	\$ 17.89
27,500 Lumen	\$ 10.95
50,000 Lumen	\$ 14.59
50,000 Lumen with 30' wood pole	\$ 18.93
50,000 Lumen with 35' wood pole	\$ 18.98

50,000 Lumen with 40' wood pole	\$	19.86
Decorative Sodium Vapor		
9,500 Lumen Fixture Type Rectilinear	\$	9.69
22,000 Lumen Fixture Type Rectilinear	\$	11.90
50,000 Lumen Fixture Type Rectilinear	\$	15.64
50,000 Lumen Fixture Type Rectilinear-35' wood pole	\$	20.03
50,000 Lumen Fixture Type Rectilinear-40' wood pole	\$	20.90
50,000 Lumen Fixture Type-Setback	\$	23.43
50,000 Lumen Fixture Type-Setback-40' wood pole	\$	28.70
Underground Distribution:		
Mercury Vapor		
7,000 Lumen	\$	7.08
7,000 Lumen with 30' wood pole	\$	11.42
7,000 Lumen with 35' wood pole	\$	11.47
7,000 Lumen with 28' alum pole	\$	14.02
10,000 Lumen	\$	8.13
10,000 Lumen with 30' wood pole	\$	12.47
10,000 Lumen with 28' alum pole	\$	15.07
21,000 Lumen	\$	10.89
21,000 Lumen with 28' alum pole	\$	17.83
Metal Halide		
14,000 Lumen	\$	7.08
20,500 Lumen	\$	8.13
36,000 Lumen	\$	10.89
Sodium Vapor		
9,500 Lumen with 28' alum pole	\$	14.71
9,500 Lumen (Open)	\$	5.90
16,000 Lumen	\$	8.42
22,000 Lumen	\$	10.95
22,000 Lumen with 35' wood pole	\$	15.34
22,000 Lumen with 28' alum pole	\$	17.89
22,000 Lumen with 28' alum pole heavy gauge	\$	22.36
50,000 Lumen	\$	14.59
50,000 Lumen with 28' alum pole	\$	21.53
50,000 Lumen with 30' alum pole	\$	28.45
Decorative Mercury Vapor		
7,000 Lumen Town & Country	\$	7.33
7,000 Lumen Town & Country with 17' wd lam pole	\$	11.73
7,000 Lumen Town & Country with 17' fibergls pole	\$	11.73
7,000 Lumen Holophane	\$	9.24
7,000 Lumen Holophane with 17' fiberglass pole	\$	13.64
7,000 Lumen Gas Replica	\$	21.32
7,000 Lumen Granville with 12' alum pole	\$	19.38
7,000 Lumen Aspen	\$	13.45
Decorative Metal Halide		
14,000 Lumen Traditionaire with 17' fiberglass pole	\$	11.73

14,000 Lumen Gas Replica with 12' alum pole	\$	33.38
14,000 Lumen Granville	\$	13.45
Decorative Sodium Vapor		
9,500 Lumen Town & Country	\$	10.84
9,500 Lumen Town & Country with 17' fiberglass pole	\$	15.24
9,500 Lumen Holophane	\$	11.74
9,500 Lumen Holophane with 17' fiberglass pole	\$	16.14
9,500 Lumen Gas Replica	\$	22.16
9,500 Lumen Granville with 12' alum pole	\$	25.66
9,500 Lumen Aspen with 12' alum pole	\$	25.66
9,500 Lumen Traditionaire with 17' fiberglass pole	\$	15.24
22,000 Lumen Rectilinear with 30' fiberglass pole	\$	20.34
50,000 Lumen Rectilinear with 30' fiberglass pole	\$	24.08
50,000 Lumen Rectilinear with 35' fiberglass pole	\$	24.30
50,000 Lumen Fixture Type - Setback	\$	23.43
Additional Facilities Charge:		
Overhead per unit	\$	.51
Underground per unit	\$	.74

RATE TL
TRAFFIC LIGHTING

Company Supplies Energy Only – per kWh	\$	.035848
Company Supplies Energy From Separately Metered Source and Provides Limited Maintenance	\$	.021078
Company Supplies Energy and Provides Limited Maintenance	\$.056927

RATE UOLS
UNMETERED OUTDOOR LIGHTING SERVICE

All kWh per kWh	\$.035263
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RATE OL
OUTDOOR LIGHTING

Private Outdoor Lighting Units:

Mercury Vapor		
7,000 Lumen (Open)	\$	8.58
7,000 Lumen	\$	11.01
10,000 Lumen	\$	12.81
21,000 Lumen	\$	16.39
Sodium Vapor (OH)		
9,500 Lumen (Open)	\$	7.59
9,500 Lumen	\$	9.90

16,000 Lumen	\$ 11.14
22,000 Lumen	\$ 12.29
27,500 Lumen	\$ 12.29
50,000 Lumen	\$ 14.17
Metal Halide	
14,000 Lumen	\$ 11.01
20,500 Lumen	\$ 12.83
36,000 Lumen	\$ 16.39
Decorative MV -7,000 Lumen	
Town & Country	\$ 13.23
Holophane	\$ 17.08
Gas Replica	\$ 41.50
Aspen	\$ 25.61
Decorative SV – 9,500 Lumen	
Town & Country	\$ 21.01
Holophane	\$ 22.76
Rectilinear	\$ 18.70
Gas Replica	\$ 43.84
Aspen	\$ 26.53
Decorative SV – 22,000 Lumen Rectilinear	\$ 22.18
Decorative SV – 50,000 Lumen Rectilinear	\$ 28.02
Decorative SV – 50,000 Lumen Setback	\$ 43.79
Floodlighting Units:	
Metal Halide	
20,500 Lumen	\$ 12.81
36,000 Lumen	\$ 16.40
Mercury Vapor	
21,000 Lumen	\$ 16.40
Sodium Vapor	
22,000 Lumen	\$ 12.19
30,000 Lumen	\$ 12.19
50,000 Lumen	\$ 14.98

RATE NSU
NON-STANDARD STREET LIGHT UNITS

Company Owned:

Boulevard Incandescent (UG)	
2,500 Lumen series	\$ 9.11
2,500 Lumen multiple	\$ 7.01
Holophane Decorative	
10,000 Lumen MV with 17' fiberglass pole	\$ 16.56
Street Light Units (OH)	
2,500 Lumen Incandescent	\$ 6.95
2,500 Lumen MV	\$ 6.63

21,000 Lumen MV	\$ 10.30
Customer Owned with limited maintenance: Boulevard Incandescent (UG)	
2,500 Lumen Series	\$ 5.33
2,500 Lumen Multiple	\$ 6.77

RATE NSP
NON-STANDARD PRIVATE OUTDOOR LIGHTING

Private Outdoor Light Units:	
2,500 Lumen Mercury (Open)	\$ 7.71
2,500 Lumen Mercury (Enclosed)	\$ 10.58

RATE URD
OUTDOOR LIGHTING UNITS

Mercury Vapor	
7,000 Lumen with 17' fiberglass pole	\$ 14.39
7,000 Lumen with 17' wood lam pole	\$ 14.39
7,000 Lumen with 30' wood pole	\$ 13.29
Sodium Vapor	
9,500 Lumen TC 100 R	\$ 11.13

RATE FL
FLOOD LIGHT

Mercury Vapor	
52,000 Lumen with 35' wood pole	\$ 27.70
52,000 Lumen with 50' wood pole	\$ 31.31
Sodium Vapor	
50,000 Lumen	\$ 19.43

RATE SC
STREET LIGHTING SERVICE – CUSTOMER OWNED/LTD MAINT

Standard Fixture – Cobra Head	
Mercury Vapor	
7,000 Lumen	\$ 4.04
10,000 Lumen	\$ 5.12
21,000 Lumen	\$ 7.07
Metal Halide	
14,000 Lumen	\$ 4.04
20,500 Lumen	\$ 5.12
36,000 Lumen	\$ 7.07
Sodium Vapor	

9,500 Lumen	\$	4.95
16,000 Lumen	\$	5.49
22,000 Lumen	\$	5.99
27,500 Lumen	\$	5.99
50,000 Lumen	\$	8.00
Decorative Units		
7,000 Lumen MV:		
Holophane	\$	5.16
Town & Country	\$	5.12
Gas Replica	\$	5.16
Aspen	\$	5.16
Metal Halide		
14,000 Lumen Traditionaire	\$	5.12
14,000 Lumen Gas Replica	\$	5.16
14,000 Lumen Granville Acorn	\$	5.16
Sodium Vapor		
9,500 Lumen Town & Country	\$	4.87
9,500 Lumen Rectilinear	\$	4.87
9,500 Lumen Aspen	\$	5.08
9,500 Lumen Holophane	\$	5.08
9,500 Lumen Gas Replica	\$	5.08
9,500 Lumen Traditionaire	\$	4.87
9,500 Lumen Granville Acorn	\$	5.08
22,000 Lumen Rectilinear	\$	6.35
50,000 Lumen Rectilinear	\$	8.29
Customer Owned/Customer Maintained		
Energy only per kWh		\$.035263

RATE SE
STREET LIGHTING SERVICE – OVERHEAD EQUIVALENT

Mercury Vapor		
7,000 Lumen Town & Country	\$	7.13
7,000 Lumen Holophane	\$	7.16
7,000 Lumen Gas Replica	\$	7.16
7,000 Lumen Aspen	\$	7.16
Sodium Vapor		
9,500 Lumen Town & Country	\$	7.86
9,500 Lumen Traditionaire	\$	7.86
9,500 Lumen Holophane	\$	7.95
9,500 Lumen Rectilinear	\$	7.86
9,500 Lumen Gas Replica	\$	7.94
9,500 Lumen Granville	\$	7.94
9,500 Lumen Aspen	\$	7.94
22,000 Lumen Rectilinear	\$	11.23
50,000 Lumen Rectilinear	\$	14.75

50,000 Lumen Setback	\$ 14.75
Metal Halide	
14,000 Lumen Traditionaire	\$ 7.13
14,000 Lumen Granville	\$ 7.16
14,000 Lumen Gas Replica	\$ 7.16

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00172 DATED December 21, 2006.

SETTLEMENT AGREEMENT

Dated October 26, 2006

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE ADJUSTMENT)
OF ELECTRIC RATES OF THE UNION)
LIGHT, HEAT AND POWER COMPANY) CASE NO. 2006-00172
D/B/A DUKE ENERGY KENTUCKY)

SETTLEMENT AGREEMENT

This Settlement Agreement, made and entered into effect this 25th day of October, 2006, by and among Duke Energy Kentucky, Inc. (formerly known as "The Union Light, Heat and Power Company" and hereinafter "Duke Energy Kentucky"), the Attorney General, Commonwealth of Kentucky ("Attorney General"), The Kroger Company ("Kroger") and St. Elizabeth Medical Center ("St. Elizabeth") (individually "Party" and collectively "Parties").

WHEREAS, on May 31, 2006, Duke Energy Kentucky filed an application with the Kentucky Public Service Commission ("Commission"), pursuant to KRS 278.190, for an increase in retail rates, to implement new tariffs and revised charges, in the above-captioned proceeding; and

WHEREAS, the Attorney General, Kroger and St. Elizabeth filed motions to intervene, which the Commission granted; and

WHEREAS, the Parties have filed testimony supporting their respective positions relating to Duke Energy Kentucky's application; and

WHEREAS, the Parties and Commission Staff have engaged in substantial investigation of the Parties' respective positions by issuing and responding to numerous information requests; and

WHEREAS, the Parties have reached a complete settlement of all the issues raised in this proceeding; and

WHEREAS, the Parties have executed this Settlement Agreement for purposes of submitting their Settlement Agreement to the Commission for approval; and

WHEREAS, the Parties request that the Commission issue an Order approving this Settlement Agreement in its entirety pursuant to KRS 278.190, including the rate increase, rate structure and tariffs as described herein.

NOW, THEREFORE, for and in consideration of the mutual premises set forth above, and the agreements set forth herein, the Parties agree as follows:

1. **Revenue Increase.** Effective for service rendered on and after January 1, 2007, Duke Energy Kentucky shall implement an increase in its retail electric base rates sufficient to generate additional annual retail electric revenues of \$49 million, based on the forecasted test period for the twelve months ending December 31, 2007.

2. **VERP Deferred Expense Write-Off.** Duke Energy Kentucky shall write-off the deferred expense related to the 1992 Voluntary Employee Retirement Program ("VERP").

3. **Fuel Costs.** The revenue increase referred to in Paragraph 1, above, shall include \$20,040,364 for fuel. Duke Energy Kentucky's Fuel Adjustment Clause Rider ("Rider FAC") will be reset to 0.0000 ¢/kWh and the new base period fuel rate (*i.e.*, F(b)/S(b)) for Rider FAC shall be re-set at 2.1619 ¢/kWh, effective for service rendered in January 2007. Duke Energy Kentucky will track fuel costs beginning January 1, 2007,

and will commence regular Rider FAC filings effective for the March 2007 billing cycle, when eligible fuel costs for January 2007 will be available to calculate the Rider FAC rate for March 2007.

4. **Tariff Filing and New Rate Design.** Within ten days of the Commission's Order on the Settlement Agreement, Duke Energy Kentucky will file new tariffs, effective for service rendered on and after January 1, 2007, in the same form as originally filed with Duke Energy Kentucky's May 31, 2006 Application, except for certain tariff changes as noted in this Settlement Agreement. Duke Energy Kentucky will design new rates to generate the additional \$49 million in revenues, using the revenue allocation reflected in Attachment 1.

5. **Depreciation Rates.** Effective on and after January 1, 2007, Duke Energy Kentucky shall implement the depreciation rates reflected in Attachment 2. Duke Energy Kentucky shall conduct a new depreciation study for its electric plant and shall file the new study with the Commission by the earlier of the filing of an application for new retail electric base rates increase or January 1, 2014. Such new study shall be an information filing to assess the reasonableness of Duke Energy Kentucky's depreciation rates and will not impact Duke Energy Kentucky's retail electric base rates, unless submitted by Duke Energy Kentucky with the filing of an application for new retail electric base rates, and approved by the Commission.

6. **Back-up Power Supply and Recovery of Back-up Power Costs.** Duke Energy Kentucky will continue to use its best efforts to procure back-up power supply and to obtain Federal Energy Regulatory Commission approval, if necessary, as soon as possible. The revenue increase stated in Paragraph 1, above, will recover all demand charges for back-up power. Effective on and after January 1, 2007, Duke Energy Kentucky shall recover energy charges for back-up power consistent with the Commission's FAC regulations. Duke Energy Kentucky shall file, subject to Commission approval, a least cost back-up supply plan with the Commission when such plan is completed but in no event later than its March 2007 FAC filing.

7. **MISO Make-Whole Revenues.** Effective on and after January 1, 2007, Duke Energy Kentucky shall credit through the FAC make-whole revenues from the Midwest Independent System Operators, Inc. ("MISO"), as well as corresponding expenses, which relate to Duke Energy Kentucky's dispatching of its generating units out-of-merit at MISO's request.

8. **Emission Allowances.** The agreed revenue increase assumes no margins from sales of emission allowances. All margins relating to net sales of emission allowances will be flowed back to customers through Rider PSM – Off-System Sales Profit Sharing Mechanism. The margins from net sales of emission allowances will be flowed 100% to customers, and will not count toward the first \$1,000,000 in off-system sales, and will not be subject to the 50/50 sharing provisions of Rider PSM.

9. **Rider PSM.** Rider PSM shall remain in effect until modified in any future proceeding, and Rider PSM will continue to be allocated on the basis of kWh sales. Rider PSM shall be modified to reflect the sharing provisions approved in the Commission's Order in Case No. 2003-00252 and in this Settlement Agreement, as reflected in Attachment 3. Consistent with this Settlement Agreement and the Commission's Orders in Case Nos. 2003-00252 and 2005-00228, the following sharing formula shall apply:

<u>Description</u>	<u>Sharing Percentage</u>
All net margins from net sales of EAs	100% to customers
All net margins from off-system power sales	First \$1 million to customers. All additional margins shared 50/50 between customers and shareholders.

10. **Rate RS Customer Charge.** The customer charge for Rate RS shall be \$4.50 per month.

11. **Rate DT Changes.** The rates for Rate DT shall be as reflected in Attachment 4.

12. **Return on Equity.** Although the Parties filed various positions relating to the appropriate return on equity for this proceeding, this Settlement Agreement does not reflect or assume any specific return on equity.

13. **Environmental Surcharge Mechanism Stay-out Period.** Duke Energy Kentucky agrees not to file an application to implement an environmental surcharge mechanism prior to January 1, 2009.

14. **AMI Program.** The revenue increase referred to in Paragraph 1, above, includes recovery of costs, net of cost savings, relating to Duke Energy Kentucky's implementation of its Advanced Metering Infrastructure ("AMI") program, as discussed in the testimony of Mr. Jim L. Stanley. Duke Energy Kentucky requests that the Commission's Order on the Settlement Agreement include approval of the AMI program and that the Commission issue a Certificate of Public Convenience and Necessity ("CPCN") for the AMI program, as described in Mr. Stanley's testimony, to the extent that the Commission determines that a CPCN is required.

15. **Amortization Period.** For financial accounting purposes, Duke Energy Kentucky will amortize over a three-year period the rate case expense from this proceeding, and the transaction costs approved for recovery in Case No. 2003-00252, except that such transaction costs from Case No. 2003-00252 shall not exceed \$1.49 million.

16. **Withdrawal of Rider TCRM.** Duke Energy Kentucky withdraws its request for approval of Rider TCRM – Transaction Cost Recovery Mechanism.

17. **Elimination of Thermal Energy Storage Rider.** If the Commission approves Duke Energy Kentucky's proposal to eliminate Rider TES – Thermal Energy

Storage, all customers receiving service under Rider TES will be transferred to Rider LM – Load Management; however, at the present time, there are no customers on Rider TES.

18. **Re-Ordering of Tariff.** Duke Energy Kentucky will re-order its tariff by removing Rider BDP – Backup Delivery Point Capacity Rider from the “Fuel Riders” section of its tariff and placing it in the “Tariff Riders” or “Miscellaneous” section of its tariff.

19. **Withdrawal of Changes to Rider GP.** Duke Energy Kentucky withdraws its request for approval of changes to Rider GP – Green Power.

20. **PowerShare® Program.** Duke Energy Kentucky will use avoided cost pricing for its PowerShare® program, as proposed in Mr. Bailey’s testimony. Duke Energy Kentucky will amend its application in Case No. 2006-00426, its pending DSM case, to recover as part of its non-residential DSM rates any resulting incremental costs.

21. **Reconnection Tariff.** Duke Energy Kentucky modifies its request for approval of changes to its “Charge for Reconnection of Service” as follows: (1) in Paragraph F the time is changed from “12:30 p.m.” to “2:30 p.m.”; (2) a new sentence is added at the end of Paragraph F as follows: “Customers will be notified of the additional \$25.00 charge for reconnection at the meter and \$65.00 for reconnection at the pole at the time they request same day service.”; and (3) a new phrase is added at the end of Paragraph G as follows: “but only if a Company employee actually makes a field visit to the customer’s premises.” The charge for after-hours reconnection of service in Paragraph F is revised to \$25.00 for reconnection at the meter and \$65.00 for reconnection at the pole.

22. **Lighting Tariffs.** Duke Energy Kentucky’s proposal relating to lighting tariffs is modified per Duke Energy Kentucky’s responses to KyPSC-DR-02-035 and KyPSC-DR-03-024.

23. **No Waiver of Appeal.** The Attorney General's agreement to this Settlement Agreement shall not be construed as any waiver or release of the Attorney General's pending court appeal relating to Duke Energy Kentucky's economic development tariffs.

24. **Confirmation of Prior Order.** The Parties request that the Commission confirm in this proceeding the accounting and ratemaking treatments that the Commission conditionally approved (subject to final approval in this proceeding) in its December 5, 2003 Order in Case No. 2003-00252, subject to the \$1.49 million cap on transaction costs, as set forth in Paragraph 15, above.

25. **Availability of New Tariff Rates.** Duke Energy Kentucky agrees to timely provide Kroger and St. Elizabeth with sufficient information on their expected energy costs under the new tariff rates, such that Kroger and/or St. Elizabeth can elect whether to receive service under any different rate schedules effective January 1, 2007.

26. **Filing of Settlement Agreement.** Following the execution of this Settlement Agreement, the Parties shall cause the Settlement Agreement to be filed with the Commission with a request to the Commission for consideration and approval of this Settlement Agreement so that Duke Energy Kentucky may begin billing under the approved adjusted rates for service rendered on and after January 1, 2007.

27. **Commission Approval.** Parties to this Settlement Agreement shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved. The Parties further agree and intend to support the reasonableness of this Settlement Agreement before the Commission, and to cause their counsel to do the same, and in any appeal from the Commission's adoption and/or enforcement of this Settlement Agreement.

28. **Effect of Non-Approval.** If the Commission does not accept and approve this Settlement Agreement in its entirety, then: (a) any Party may elect, in writing, within

five days of such Commission Order that this Settlement Agreement shall be void and withdrawn by the Parties hereto from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein; and (b) neither the terms of this Settlement Agreement nor any matters raised during the settlement negotiations shall be binding on any of the signatories to this Settlement Agreement or be construed against any of the signatories. Should the Settlement Agreement be voided or vacated for any reason after the Commission has approved the Settlement Agreement and thereafter any implementation of the terms of the Settlement Agreement has been made, then the Parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this Settlement Agreement.

29. **Commission Jurisdiction.** This Settlement Agreement shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

30. **Successors and Assigns.** This Settlement Agreement shall inure to the benefit of and be binding upon the Parties hereto, their successors and assigns.

31. **Complete Agreement.** This Settlement Agreement constitutes the complete agreement and understanding among the Parties hereto, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Settlement Agreement.

32. **Implementation of Settlement Agreement.** For the purpose of this Settlement Agreement only, the terms are based upon the independent analysis of the parties to reflect a just and reasonable resolution of the issues herein and are the product of compromise and negotiation. Notwithstanding anything contained in the Settlement Agreement, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of Duke Energy Kentucky are unknown and this Settlement Agreement shall be implemented as written.

33. **Admissibility and Non-Precedential Effect.** Neither the Settlement Agreement nor any of the terms shall be admissible in any court or Commission except insofar as such court or Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Settlement Agreement. This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

34. **No Admissions.** Making this Settlement Agreement shall not be deemed in any respect to constitute an admission by any Party hereto that any computation, formula, allegation, assertion or contention made by any other Party in these proceedings is true or valid. Nothing in this Settlement Agreement shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of a Party.

35. **Authorizations.** The signatories hereto warrant that they have informed, advised, and consulted with the respective Parties hereto in regard to the contents and significance of this agreement and based upon the foregoing are authorized to execute this Settlement Agreement on behalf of the Parties hereto.

36. **Commission Approval.** This Settlement Agreement is subject to the acceptance of and approval by the Public Service Commission.

37. **Interpretation of Settlement Agreement.** This Settlement Agreement is a product of negotiation among all Parties hereto, and no provision of this Settlement Agreement shall be strictly construed in favor of or against any Party.

38. **Counterparts.** This Settlement Agreement may be executed in multiple counterparts.

39. Future Proceedings. Nothing in this Settlement Agreement shall preclude, prevent or prejudice any Party hereto from raising any argument/issue or challenging any adjustment in any future rate case proceeding of Duke Energy Kentucky.

IN WITNESS WHEREOF, this Settlement Agreement has been agreed to effective this 25th day of October 2006. By affixing their signatures below, the undersigned Parties respectfully request the Commission to issue its Order approving and adopting this Stipulation Agreement the Parties hereto have hereunto affixed their signatures.

DUKE ENERGY KENTUCKY

By: John J. Hennings
Title: Attorney

ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

By: [[Signature]]
Title:

THE KROGER CO.

By: [[Signature]]
Title:

THE ST. ELIZABETH MEDICAL CENTER

By: [[Signature]]
Title:

DUKE ENERGY KENTUCKY

COMPUTATION OF PRESENT AND PROPOSED REVENUE BY RATE CLASS

Line No.	Rate Class	Present Revenues		Settlement Rate Increase			Settlement Proposed Revenues		
		As Filed Present Revenues With Fuel	As Filed Present Revenues Excluding Fuel	Settlement Rate Increase Excl Fuel	Incremental Fuel Revenue	Settlement Rate Increase With Fuel	Revenues With Fuel	Rate Increase	
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Rate RS	\$ 97,639,085	\$ 72,578,521	\$ 12,206,102	7,644,032	\$ 19,850,134	\$ 117,489,219	12.50%	20.33%
2	Rate DS	66,709,383	49,552,855	8,333,695	5,233,124	13,566,819	80,276,202	12.49%	20.34%
3	Rate DS-RTP	70,100	70,100	11,789		11,789	81,889	16.82%	16.82%
4	Rate GS-FL	471,911	368,904	62,042	31,420	93,462	565,373	13.15%	19.81%
5	Rate EH	694,501	462,097	77,715	70,889	148,604	843,105	11.19%	21.40%
6	Rate SP	35,117	28,457	4,786	2,031	6,817	41,934	13.63%	19.41%
7	Rate DT - Secondary	38,378,456	26,367,930	4,434,503	3,663,479	8,097,982	46,476,438	11.55%	21.10%
8	Rate DT RTP-Sec.	343,715	343,715	57,805		57,805	401,520	16.82%	16.82%
9	Rate DT-Primary	19,862,321	12,697,785	2,135,487	2,185,344	4,320,831	24,183,152	10.75%	21.75%
10	Rate DT RTP-Primary	782,491	782,491	131,598		131,598	914,089	16.82%	16.82%
11	Rate DP	1,764,802	1,200,928	201,970	171,994	373,964	2,138,766	11.44%	21.19%
12	Rate TT	8,534,952	5,550,040	933,394	910,465	1,843,859	10,378,811	10.94%	21.60%
13	Rate TT-RTP	404,272	404,272	67,990		67,990	472,262	16.82%	16.82%
14	Lighting	2,194,212	1,781,255	299,568	125,961	425,529	2,619,741	13.65%	19.39%
15	Other	12,408	7,074	1,190	1,627	2,817	15,225	9.59%	22.70%
16	Total Retail Electric Sales	237,897,726	\$ 172,196,424	\$ 28,959,634	\$ 20,040,366	\$ 49,000,000	286,897,726	12.17%	20.60%
17	Other Operating Revenue	1,978,260					3,232,930		
18	Total Revenue	\$ 239,875,986					\$ 290,130,656		

DUKE ENERGY KENTUCKY
 CASE NO. 2009-00172
 DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND
 JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,
 THIRTEEN MONTH AVERAGE AS OF DECEMBER 31, 2007

STEAM PRODUCTION PLANT
 (\$000 Omitted)

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: ORIGINAL UPDATED "X" REVISED
 WORK PAPER REFERENCE NOS.: SCHEDULE B-2.1, SCHEDULE B-3

SCHEDULE B-3.2
 PAGE 1 OF 6
 WITNESS RESPONSIBLE:
 C. J. COUNCIL

Line No. (A)	FERC Acct. No. (B-1)	Company Acct. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction 13-Month Average		Current Accrual Rate (F)	Calculated Depr. Expense (G=Dx F)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	Accumulated Balance (E)					
1	310	3100	Land and Land Rights - East Bend	1,697	-	0.00%	-		Perpetual Life	
2	311	3110	Structures & Improvements -East Bend	35,093	21,268	1.28%	449	-3.00%	100	R2.5
3	311	3110	Structures & Improvements -MF 6	3,211	3,060	0.28%	9	-4.00%	100	R2.5
4	312	3120	Boiler Plant Equipment - East Bend	284,533	147,437	(1)	6,601	-11.00%	55	S1
5	312	3120	Boiler Plant Equipment - MF 6	44,978	27,503	(1)	2,406	-13.00%	55	S1
6	312	3122	Boiler Plant Equip - Precipitator - MF 6	11,773	11,211		146	-12.00%	50	S1.5
7	312	3123	Boiler Plant Equip - SCR Catalyst - East Bend	2,230	914	15.28%	341	0.00%	8	S2.5
8	314	3140	Turbogenerator Equipment - East Bend	66,996	31,056	2.26%	1,514	-8.00%	55	R2.5
9	314	3140	Turbogenerator Equipment - MF 6	11,501	10,724	1.16%	133	-9.00%	55	R2.5
10	315	3150	Accessory Electric Equipment - East Bend	25,356	14,157	1.72%	436	-4.00%	60	R2.5
11	315	3150	Accessory Electric Equipment - MF 6	4,075	3,597	1.13%	46	-4.00%	60	R2.5
12	316	3160	Miscellaneous Powerplant Equipment - East Bend	8,262	3,719	2.15%	178	0.00%	55	S0.5
13	316	3160	Miscellaneous Powerplant Equipment - MF 6	769	185	5.53%	43	0.00%	65	S0.5
14	317	3170	AROs - East Bend	533	299	Various			Depr charged to reg asset account	
15	317	3170	AROs - MF 6	177	57	Various			Depr charged to reg asset account	
16										
17										
18										
19			Total Steam Production Plant	501,176	275,187		12,302			

(1) Plant Investment includes Completed Construction Not Classified (Account 106) and applicable accumulated balance.

DUKE ENERGY KENTUCKY
 CASE NO. 2006-00172
 DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND
 JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,
 THIRTEEN MONTH AVERAGE AS OF DECEMBER 31, 2007

OTHER PRODUCTION PLANT
 (\$000 Omitted)

DATA: BASE PERIOD "X" FORECASTED PERIOD
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SCHEDULE B-3.2
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 WITNESS RESPONSIBLE:
 C. J. COUNCIL

Line No. (A)	FERC Acct. No. (B-1)	Company Acct. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction 13-Month Average		Current Accrual Rate (F)	Calculated Depr. Expense (G=DxF)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	Accumulated Balance (E)					
1	340	3400	Land and Land Rights	2,258	0	0.00%	-	Perpetual Life		
2	340	3401	Rights of Way	652	27	3.53%	24	0.00%	40	SQ
3	341	3410	Structures & Improvements	33,726	16,597	2.04%	688	-3.00%		SQ
4	342	3420	Fuel Holders, Producers, Accessories	15,508	8,835	1.75%	271	-3.00%		SQ
5	343	3430	Prime Movers	1,362	1	3.96%	54	-5.00%		SQ
6	344	3440	Generators	203,784	89,552 (1)	2.38%	4,850	-4.00%	75	R2.5
7	345	3450	Accessory Electric Equipment	16,867	9,659	1.80%	304	0.00%	55	S2
8	346	3460	Miscellaneous Plant Equipment	3,877	2,046	2.00%	74	0.00%	50	R2.5
9										
10										
11			Total Other Production Plant	277,834	126,717		6,265			

(1) Plant Investment includes Completed Construction Not Classified (Account 105) and applicable accumulated balance.

DUKE ENERGY KENTUCKY
 CASE NO. 2006-00172
 DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND
 JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,
 FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP
 THIRTEEN MONTH AVERAGE AS OF DECEMBER 31, 2007

TRANSMISSION PLANT
 (\$000 Omitted)

DATA: BASE PERIOD "X" FORECASTED PERIOD
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 WITNESS RESPONSIBLE:
 C. J. COUNCIL

Line No. (A)	FERC Acct. No. (B-1)	Company Acct. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction 13-Month Average		Current Accrual Rate (F)	Calculated Depr. Expense (G=DxF)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	Accumulated Balance (E)					
1	350	3500	Land	191	0	0.00%	-	Perpetual Life		
2	350	3501	Rights of Way	906	468	1.48%	13	0.00%	65	R4
3	352	3520	Structures & Improvements	381	358	0.41%	2	-5.00%	55	R3
4	353	3530	Station Equipment	9,398	3,013 (1)	2.26%	211	-5.00%	50	R1.5
5	353	3532	Major Equipment	3,373	997	2.27%	77	-10.00%	50	R3
6	353	3535	Station Equipment Electronics	14	0	9.55%	1	0.00%	15	R2.5
7	354	3540	Towers & Equipment	0	0	0.00%	-	NA	NA	
8	355	3550	Poles & Fixtures	5,133	2,956	2.10%	108	-25.00%	50	R1.5
9	356	3560	Overhead Conductors & Devices	4,370	2,411	2.31%	101	-10.00%	44	R0.5
10										
11										
12			Total Transmission Plant	23,786	10,203		513			

(1) Plant investment includes Completed Construction Not Classified (Account 106) and applicable accumulated balance.

DUKE ENERGY KENTUCKY
 CASE NO. 2006-00172
 DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND
 JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,
 THIRTEEN MONTH AVERAGE AS OF DECEMBER 31, 2007

DISTRIBUTION PLANT
 (\$000 Omitted)

DATA: BASE PERIOD "X" FORECASTED PERIOD
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 WITNESS RESPONSIBLE:
 C. J. COUNCIL

Line No. (A)	FERC Acct. No. (B-1)	Company Acct. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction 13-Month Average		Current Accrual Rate (F)	Calculated Depr. Expense (G=DxF)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	Accumulated Balance (E)					
1	360	3600	Land	3,094	-			Perpetual Life		
2	360	3601	Rights of Way	4,480	2,322	1.07%	48	0.00%	70	R3
3	361	3610	Structures & Improvements	309	224	0.94%	3	-5.00%	55	R3
4	362	3620	Station Equipment	18,831	4,828	2.91%	548	-10.00%	50	R2
5	362	3622	Major Equipment	15,248	3,283	2.77%	422	-10.00%	50	R3
6	362	3635	Station Equipment Electronics	123	-	9.65%	12	0.00%	15	R2
7	364	3640	Poles, Towers, & Fixtures	44,380	16,672	3.29%	1,459	-15.00%	44	R0.5
8	365	3650	Overhead Conductors & Devices	80,123	38,867 (1)	2.46%	1,971	-20.00%	46	R1.5
9	366	3660	Underground Conduit	14,371	2,791	2.00%	287	-15.00%	65	R3
10	367	3670	Underground Conductors & Devices	33,388	6,965	2.29%	765	-25.00%	65	R3
11	368	3680	Line Transformers	47,561	23,055	2.42%	1,153	0.00%	38	R1.5
12	368	3682	Customers Transformer Installation	1,716	274	2.00% (2)	34	0.00%	50	R1.5
13	369	3691	Services - Underground	515	141	2.73%	14	-25.00%	55	R2
14	369	3692	Services - Overhead	10,256	8,055	2.45%	251	-50.00%	50	R1
15	369	3693	Services - Multiple Occupancy Buildings	-	-	NA	NA	NA	NA	NA
16	370	3700	Meters	10,122	2,552	5.82%	589	0.00%	28	S0
17	370	3701	Leased Meters	3,730	229	5.61%	209	0.00%	28	S0
18	372	3720	Leased Prop on Cust Prem	10	10	NA	NA	0.00%	25	L2
19	373	3731	Street Lighting - Overhead	2,861	2,467	0.92%	26	-5.00%	30	L1
20	373	3732	Street Lighting - Boulevard	2,819	1,280	3.62%	102	-5.00%	30	L1
21	373	3733	Street Lighting - Cust. Private Outdoor Lighting	1,617	1,386	1.47%	24	-15.00%	33	R1.5
22										
23										
24			Total Distribution Plant	295,514	115,502		7,917			

(1) Plant Investment includes Completed Construction Not Classified (Account 106) and applicable accumulated balance.
 (2) Estimated rate for additions after 2005.

DUKE ENERGY KENTUCKY
 CASE NO. 2006-00172
 DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND
 JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,
 THIRTEEN MONTH AVERAGE AS OF DECEMBER 31, 2007

GENERAL PLANT
 (\$000 Omitted)

DATA: BASE PERIOD "X" FORECASTED PERIOD
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 WITNESS RESPONSIBLE:
 C. J. COUNCIL

Line No. (A)	FERC Acc't. No. (B-1)	Company Acc't. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction 13-Month Average		Current Accrual Rate (F)	Calculated Depr. Expense (G=DxF)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	Accumulated Balance (E)					
1	303	3030	Misc Intangible Plant	2,130	1,059	Various	36	Amortized over 60 months		
2	390	3900	Structures & Equipment	16	19	1.77%	-	5.00%	35	R2.5
3	391	3910	Office Furniture & Equipment	36	18	18.56%	7	0.00%	20	SQ
4	392	3920	Auto & Trucks	0	0	NA	NA	Depr.Charge to Trans. Exp.		
5	392	3921	Trailers	100	31	6.53%	7	Depr.Charge to Trans. Exp.		
6	394	3940	Tools, Shop & Garage Equipment	1,057	612 (1)	4.14%	44	0.00%	25	SQ
7	396	3960	Power Operated Power Equipment	12	12	NA	NA	Depr.Charge to Trans. Exp.		
8	397	3970	Communication Equipment	84	71	6.93%	6	0.00%	15	SQ
9										
10										
11			Total General Plant	3,435	1,823		100			
12			Total Electric Plant	1,101,725	529,432		27,097			

(1) Plant Investment includes Completed Construction Not Classified (Account 106) and applicable accumulated balance.

DUKE ENERGY KENTUCKY
 CASE NO. 2006-00172
 DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND
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 THIRTEEN MONTH AVERAGE AS OF DECEMBER 31, 2007

COMMON PLANT
 (\$000 Omitted)

DATA: BASE PERIOD "X" FORECASTED PERIOD
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 WITNESS RESPONSIBLE:
 C. J. COUNCIL

Line No. (A)	FERC Acct. No. (B-1)	Company Acct. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction 13-Month Average		Current Accrual Rate (F)	Calculated Depr. Expense (G=DxF)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	Accumulated Balance (E)					
1		1030	Misc Intangible Plant	20,524	10,966	Various	342		Amortized over 60 months	
2		1890	Land	154	0	0.00%	-		Perpetual Life	
3		1900	Structures & Improvements	6,488	2,177 (1)	4.34%	(2)	403	0.00%	100.0 R1
4		1910	Office Furniture & Equipment	398	156	12.38%		46	0.00%	20.0 SQ
5		1930	Stores Equipment	6	(17)	48.47%		3	0.00%	20.0 SQ
6		1940	Tools, Shop & Garage Equipment	186	78	6.27%		12	0.00%	25.0 SQ
7		1970	Communication Equipment	39	(6)	13.62%		5	0.00%	15.0 SQ
8		1980	Miscellaneous Equipment	11	1	6.65%		1	0.00%	15.0 SQ
9										
10										
11			Total Common Plant	27,806	13,357		815			
			Common Plant Allocated to Electric							
13			75.87% Original Cost	21,096						
14			75.87% Reserve		10,134					
15			75.87% Annual Provision				618			
16			Total Electric including allocated Common	1,122,821	539,566		27,715			

(1) Plant Investment includes Completed Construction Not Classified (Account 106) and applicable accumulated balance.
 (2) Includes Capital Lease on Erfanger Operations Center of \$2.1M and applicable amortization.

**RIDER PSM
OFF-SYSTEM POWER SALES AND EMISSION ALLOWANCE SALES
PROFIT SHARING MECHANISM**

APPLICABILITY

Applicable to all retail sales in the Company's electric service area, excluding interdepartmental sales, beginning with the billing month January 2007.

PROFIT SHARING RIDER FACTORS

The Applicable energy charges for electric service shall be increased or decreased to the nearest \$0.000001 per kWh to reflect the sharing of profits on off-system power sales and the net margins on sales of emission allowances.

The Company will compute its profits on off-system power sales and margins on emission allowance sales in the following manner:

$$\text{Rider PSM Factor} = (P + E + R)/S$$

where:

- P = Eligible profits from off-system power sales for applicable month subject to sharing provisions established by the Commission in its Order in Case No. 2003-00252, dated December 5, 2003. The first 100% of profits up to \$1 million during the current year are credited 100% to customers. Cumulative profits for the current year in excess of \$1 million are shared between customers and shareholders on a 50%/50% basis. After December 31st of each year, the sharing mechanism will be reset.
- E = All net margins on sales of emission allowances are credited to customers per the Commission's Order in Case No. 2006-00172, dated _____, 2006.
- R = Reconciliation of prior period Rider PSM actual revenue to amount calculated for the period.
- S = Current month sales in kWh used in the current month Rider FAC calculation.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission as provided by law.

Issued by authority of the Kentucky Public Service Commission.

Issued: _____, 2006

Issued by: Sandra P. Meyer, President

Effective: _____, 2007

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

RATE DT

TIME-OF-DAY RATE FOR SERVICE AT DISTRIBUTION VOLTAGE

APPLICABILITY

Applicable to electric service for customers with an average monthly demand of 500 kilowatts or greater where the Company specifies service at a nominal distribution system voltage of 34,500 volts or lower, and the Company determines that facilities of adequate capacity are available and adjacent to the premises to be served. Electric service must be supplied at one point of delivery and is not applicable for resale service.

TYPE OF SERVICE

Alternating current 60 Hz, single phase or three phase at Company's standard distribution voltage of 34,500 volts or lower.

NET MONTHLY BILL

Computed in accordance with the following charges (kilowatt of demand abbreviated as kW and kilowatt-hours are abbreviated as kWh):

1. Base Rate

(a) Customer Charge			
Single Phase	\$ 7.50	per month	(I)
Three Phase	\$ 15.00	per month	
Primary Voltage Service	\$100.00	per month	
(b) Demand Charge			
Summer			
On Peak kW	\$ 12.75	per kW	(I)
Off Peak kW	\$ 1.15	per kW	
Winter			
On Peak kW	\$ 12.07	per kW	(I)
Off Peak kW	\$ 1.15	per kW	
(c) Energy Charge			
Summer On Peak kWh	\$0.041968	per kWh	(I)
Winter On Peak kWh	\$0.039968	per kWh	
Off Peak kWh	\$0.033968	per kWh	

Issued by authority of an Order of the Kentucky Public Service Commission dated 00172.

in Case No. 2006-

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Duke Energy Kentucky
 1697-A Monmouth Street
 Newport, Kentucky 41071

Low Load Factor Optional Rate – Pilot Program

Customers with annual load factors of 45% or lower are eligible to receive service at the following rates. Annual load factor is defined as the sum of the kWh during the prior year divided by the sum of the kW during the prior year divided by 730. This pilot program low load factor optional rate will remain in effect through December 31, 2007. The Company may apply to continue this pilot program beyond December 31, 2007, subject to Commission approval.

Base Rate

(a) Customer Charge			
Single Phase		\$ 7.50 per month	(I)
Three Phase		\$ 15.00 per month	
Primary Voltage Service		\$100.00 per month	
(b) Demand Charge			
Summer			
On Peak kW		\$ 11.90 per kW	(I)
Off Peak kW		\$ 1.15 per kW	
Winter			
On Peak kW		\$ 10.54 per kW	(I)
Off Peak kW		\$ 1.15 per kW	
(c) Energy Charge			
Summer On Peak kWh		\$0.044619 per kWh	(I)
Winter On Peak kWh		\$0.042619 per kWh	
Off Peak kWh		\$0.036619 per kWh	

2. Applicable Riders

- The following riders are applicable pursuant to the specific terms contained within each rider: (C)
- Sheet No. 78, Rider DSMR, Demand Side Management Rider (D)
- Sheet No. 80, Rider FAC, Fuel Adjustment Clause
- Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric

The minimum charge shall be the Customer Charge, as stated above.

When both single and three phase secondary voltage services are required by a customer, the monthly kilowatt-hour usage and kilowatt demands shall be the respective arithmetical sums of both services.

For purposes of administration of the above Base Rate charges, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as that period represented by the Company's billing for the eight (8) revenue

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months of January through May and October through December.

RATING PERIODS

The rating periods applicable to the demand charge shall be as follows:

- a) On Peak Period
Summer - 11 a.m. to 8 p.m. Monday through Friday, excluding holidays.
Winter - 9 a.m. to 2 p.m. and 5 p.m. to 9 p.m., Monday through Friday, excluding holidays.
- b) Off Peak Period - All hours Monday through Friday not included above plus all day Saturday and Sunday, as well as New Year's Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day on the day nationally designated to be celebrated as such.

METERING

The company may meter at secondary or primary voltage as circumstances warrant. If the Company elects to meter at primary voltage, kilowatt hours registered on the Company's meter will be reduced one and one-half percent (1.5%) for billing purposes.

If the customer furnishes primary voltage transformers and appurtenances, in accordance with the Company's specified design and maintenance criteria, the Demand Charge, as stated above, shall be reduced as follows:

- First 1,000 kW of On Peak billing demand at \$0.65 per kW.
- Additional kW of On Peak billing demand at \$0.50 per kW.

(1)

DEMAND

The On Peak billing demand shall be the kilowatts derived from the Company's demand meter for the fifteen minute period of greatest use in the on peak rating period adjusted for power factor as provided herein. The Off Peak billing demand shall be the kilowatts derived from the Company's demand meter for the fifteen minute period of greatest use in the off peak rating period adjusted for power factor minus the On Peak billing demand. In no case shall the Off Peak billing demand be less than zero.

POWER FACTOR ADJUSTMENT

The power factor to be maintained shall be not less than 90% lagging. If the Company determines the customer's power factor to be less than 90%, the on peak and off peak billing demands will be the number of kilowatts equal to the respective on peak and off peak kilovolt amperes multiplied by 0.90.

The power factor, as determined by continuous measurement, will be derived from the intervals in which the maximum on peak and off peak kW demands are established.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

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TERMS AND CONDITIONS

The initial term of contract shall be for a period of three (3) years for secondary voltage service and five (5) years for primary voltage service terminable thereafter by a minimum notice of either the customer or the Company as follows:

- (1) For secondary voltage service customers, as prescribed by the Company's Service Regulations.
- (2) For primary voltage service customers with a most recent twelve month average demand of less than 10,000 kVA or greater than 10,000 kVA, written notice of thirty (30) days or twelve (12) months respectively, after receipt of the written notice.

The Company is not obligated to extend, expand or rearrange its transmission system if it determines that existing distribution and/or transmission facilities are of adequate capacity to serve the customer's load.

If the Company offers to provide the necessary facilities for transmission service, in accordance with its Service Regulations, an annual facilities charge, applicable to such additional facilities, is established at twenty (20) percent of actual cost. The annual facilities charge shall be billed in twelve monthly installments to be added to the demand charge.

For purposes of the administration of this rate, the Company will determine the customer's average monthly demand based upon the twelve months ending December of each year after the applicable term of service has been fulfilled by the customer. If the customer's demand is less than 500 kilowatts and the Company expects the customer's demand to remain below 500 kilowatts, then the Company will notify the customer prior to May of the succeeding year that the provisions of Rate DS, Service at Secondary Distribution Voltage or Rate DP, Service at Primary Distribution Voltage shall be applicable initiating with the June revenue month billing and shall continue until the term of service of that rate is fulfilled. In the case where a customer's average demand is estimated by the Company to be significantly greater than 500 kilowatts, the Company may, at its discretion, waive the twelve month demand history requirement in the determination of the applicability of this rate.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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